Global Insolvency and Cross-border Capital Flows*

Yeejin Jang† Jenny Jihyun Tak‡ and Wei Wang§

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Abstract

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Keywords: global insolvency, Chapter 15, bankruptcy, cross-border merger and acquisitions, foreign direct investment, multinational companies

JEL classification: G33, G34

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†School of Banking and Finance, University of New South Wales, Sydney. Email: y.jang@unsw.edu.au

‡Alliance Manchester Business School, The University of Manchester. Email: jenny.tak@manchester.ac.uk

§Smith School of Business, Queen's University. Email: wwang@queensu.ca

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This paper examines how reducing legal uncertainty in cross-border insolvency proceedings through improved court coordination affects international capital flows. Exploiting the 2005 introduction of Chapter 15 to the US Bankruptcy Code, we find that foreign firms from countries with greater use of Chapter 15 are 25% more likely to acquire US targets after the reform. These cross-border acquisitions are supported by higher debt capacity and greater reliance on long-term financing. Extending the analysis globally, we exploit the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency in 21 countries and document a significant increase in inbound cross-border M&A activity following similar reforms, particularly among emerging economies. The findings highlight that strengthening international insolvency legal infrastructure reduces cross-border restructuring frictions, enhances creditor protection and legal predictability, and ultimately promotes greater capital mobility and the expansion of multinational firms.

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1. Introduction

The globalization of corporate activity has greatly expanded cross-border investment but also made the restructuring of financially distressed multinational firms increasingly complex and uncertain. When an insolvent firm holds assets and liabilities across multiple jurisdictions, it must navigate distinct bankruptcy regimes to implement a reorganization plan. In the absence of effective coordination among courts, inconsistent rulings across jurisdictions create uncertainty about how assets will be protected and how creditors' claims will be enforced. This legal uncertainty prompts creditors to act preemptively—racing to seize assets or initiate parallel proceedings—which often results in fire sales and value destruction (Baird, 1986; Gertner and Scharfstein, 1991; Shleifer and Vishny, 2011). A lack of coordination between domestic and foreign courts therefore constitutes a fundamental source of inefficiency in cross-border bankruptcy resolution (LoPucki, 1998; Westbrook, 2013). By undermining the predictability of recovery outcomes and thus increasing the expected costs of financial distress, such global insolvency frictions can *ex ante* deter cross-border investment and distort the international allocation of capital.

Despite the importance of these frictions, there is limited empirical evidence on how legal uncertainty in multinational bankruptcy proceedings affects cross-border capital allocation.[1] This paper fills that gap by exploiting a quasi-natural experiment: the 2005 introduction of Chapter 15 to the US Bankruptcy Code, which implemented the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency. The Model Law aims to improve coordination among national bankruptcy courts and promote more efficient cross-border restructuring.

Before Chapter 15, large foreign debtors primarily relied on Chapter 11, which required initiating a full bankruptcy case in US courts, a process often lengthy, costly, and uncertain

[1] Legal scholarship has long emphasized the importance of court coordination in cross-border insolvency, but most discussions remain descriptive. Prior finance studies document that stronger legal institutions facilitate cross-border acquisitions (e.g., Rossi and Volpin (2007); Bris and Cabolis (2008); Ellis, Moeller, Schlingemann, and Stulz (2017); Erel, Jang, and Weisbach (2022)), yet none examines how the predictability of insolvency resolution driven by the degree of court coordination shapes global capital flows.

for both debtors and creditors (Wang, 2022). Chapter 15 introduced a framework allowing foreign firms to seek recognition of their home-country insolvency proceedings in US courts, enabling coordinated relief while preserving the primacy of the main proceeding abroad. By strengthening judicial cooperation and reducing uncertainty over the recognition and enforcement of bankruptcy rulings, Chapter 15 provides an ideal setting to examine whether enhanced court coordination and lower insolvency costs influence firms' cross-border investment and financing decisions. Specifically, we hypothesize that non-US firms from certain countries are more likely to acquire US assets following Chapter 15's enactment, and that greater predictability and consistency in bankruptcy outcomes enhance foreign firms' access to funding for US investments.

We begin our empirical analysis by comparing the judicial complexity of bankruptcy proceedings for foreign debtors under Chapter 15 and Chapter 11. We manually compile a comprehensive dataset of Chapter 15 filings from 2005 to 2020, comprising 549 cases by companies domiciled in 59 countries, and 78 Chapter 11 filings by firms from 25 countries between 2001 and 2020. Examination of court dockets shows that, although the firms filing under the two chapters are broadly comparable, Chapter 15 proceedings are less complex and more cost-effective than those under Chapter 11. Specifically, while both exhibit a similar duration from filing to the final court action, Chapter 15 cases involve substantially fewer motions and objections, reflecting a more streamlined process. Overall, these findings suggest that, since its enactment, Chapter 15 has evolved into an efficient and accessible mechanism for foreign firms seeking bankruptcy protection in the US, reducing procedural burdens and improving the predictability of cross-border insolvency resolution.

Leveraging the filing data and information on filers' legal and economic environments, we conduct a country-level analysis to explore which institutional characteristics are associated with greater reliance on Chapter 15. The by-country distribution of Chapter 15 filings shows that firms from certain countries, such as Brazil, Germany, and South Korea, have actively used Chapter 15 but rarely relied on Chapter 11 since its introduction in 2005. Chapter 15

filers are more likely to originate from common law jurisdictions, English-speaking countries, and countries with stronger trade ties to the US. Importantly, firms from countries with stronger creditor rights and more efficient home bankruptcy process than the US are more likely to file for Chapter 15 rather than Chapter 11. These patterns suggest that certain legal and institutional characteristics such as similar legal origins, shared language, and strong home institution and legal enforcement facilitate better cross-border court coordination, improving the bankruptcy outcomes for multinational debtors.

Our main firm-level analysis employs a difference-in-differences (DiD) design that exploits two sources of variation: cross-country differences in the propensity to use Chapter 15 and the timing of its enactment in 2005. The sample includes firms from 65 non-US countries over the 2003–2007 period, spanning four years around the reform. We identify treated countries as those whose firms exhibited a higher ex ante probability of utilizing Chapter 15 between 2005 and 2020 (measured as of 2004) and classify firms from these countries as treated. These firms are expected to benefit more from the reform. Our baseline regressions compare the cross-border M&A activity of treated firms with that of control firms from countries with the low likelihood of using Chapter 15 filings, while controlling for firm fixed effects and industry–year fixed effects to absorb time-invariant heterogeneity and time-varying demand for US assets across industries.

We find that foreign firms from countries that are more likely to utilize Chapter 15 became significantly more active in acquiring US assets after the reform. Specifically, these firms were 25% more likely to acquire US targets and completed 28% higher number of acquisitions relative to comparable firms from other countries. The results indicate that improved court coordination and reduced legal uncertainty under Chapter 15 lowered cross-border insolvency costs and encouraged greater foreign investment in the US. Importantly, we find no comparable increase in domestic acquisitions or in cross-border deals outside the US, suggesting that the effect is not driven by broader M&A market trends in treated countries.

Our results remain robust to a wide range of additional tests. Excluding countries that implemented major bankruptcy reforms around 2005 or using US acquirers as a placebo group yields consistent estimates, alleviating concerns about concurrent institutional changes. Propensity score matching of treated and control firms on pre-reform characteristics produces similar results, indicating that differences in firm composition do not drive our findings. Finally, alternative treatment definitions and dynamic event-time analyses reveal no pre-trends, reinforcing the causal interpretation that enhanced court coordination under Chapter 15 reduced cross-border insolvency frictions and spurred foreign investment in the US.

We next examine whether improved court coordination under Chapter 15 affected foreign firms' debt financing. We find that the effects are strongest among firms with higher leverage, greater default risk, and more tangible assets—those whose creditors are particularly sensitive to bankruptcy protections and are more prone to collateral seizure and liquidation. Furthermore, following the reform, treated firms increased their book leverage and shifted toward long-term borrowing and bond issuance. The magnitude of these effects—a 6% rise in long-term debt and a 10% increase in the share of bonds in total debt—suggests that firms substituted short-term secured borrowing with long-term unsecured financing to support cross-border acquisitions. An analysis of syndicated loan data further shows that foreign firms from Chapter 15 countries obtained 35% larger US dollar–denominated loans after the reform, while loan spreads remained unchanged. This pattern indicates that improved judicial coordination enabled foreign borrowers to raise greater cross-border debt without higher financing costs. Taken together, these results show that Chapter 15 expanded multinational firms' debt capacity and facilitated their cross-border acquisitions.

While the US setting enables precise identification of treated firms using detailed filing data, collecting comprehensive cross-country information on insolvency law usage remains challenging. To test the external validity of US-based findings, we examine the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency across 67 countries between 1997 and 2020. Using a country-pair-year panel, we find that after a country

adopts the Model Law, the share of cross-border acquisitions targeting its firms rises by 1.4 percentage points, representing a 35% increase relative to the sample mean. This effect is robust to controlling for both acquirer-target pair fixed effects and acquirer-country–year fixed effects and alternative estimators that account for staggered treatment timing (Gormley and Matsa, 2016; Goodman-Bacon, 2021; Baker, Larcker, and Wang, 2022). Importantly, the increase is particularly pronounced among emerging economies, consistent with the notion that legal harmonization yields larger marginal benefits in countries with weaker institutional frameworks. Overall, these results indicate that aligning domestic bankruptcy regimes with international standards significantly enhances cross-border investment activity.

To explore heterogeneity in these effects, we find that cross-border acquisitions rise more sharply when acquirers originate from countries with lower insolvency costs, shorter resolution times, and higher recovery rates relative to target countries that adopt the Model Law. This pattern indicates that firms from countries with more efficient debt enforcement regimes are best positioned to benefit from improvements in global court coordination. The results reinforce the mechanism that enhanced legal predictability and creditor protection facilitate greater cross-border capital flows. Finally, when we examine foreign direct investment (FDI), we find similar patterns, suggesting that the positive impact of insolvency harmonization on international capital allocation extends beyond cross-border M&A activity.

This paper provides the first systematic evidence on the real effects of Chapter 15 and global insolvency law on cross-border investment. By compiling a comprehensive dataset of Chapter 15 filings, we show that coordination between bankruptcy courts across jurisdictions is a key determinant of international capital allocation. Our quasi-natural experiment complements the literature on cross-border M&A and capital flows by identifying a causal channel—judicial coordination in bankruptcy—that operates beyond traditional explanations such as geography, culture, and investor protection (Erel, Liao, and Weisbach, 2012; Ahern, Daminelli, and Fracassi, 2015; Rossi and Volpin, 2007; Bris and Cabolis, 2008; Bhagwat, Brogaard, and Julio, 2021). Unlike prior studies that rely on static legal proxies and

broad proxies for legal systems across countries such as common law indicators and investor protection indices (La Porta, Lopez-de Silanes, Shleifer, and Vishny, 1998), we exploit a sharp policy change that directly alters the enforceability of cross-border claims.

Our study also contributes to the broader literature on law, finance, and corporate behavior. Prior research shows that creditor rights and debt enforcement efficiency influence investment, innovation, and economic growth (Djankov, Hart, McLiesh, and Shleifer, 2008; Vig, 2013; Rodano, Serrano-Velarde, and Tarantino, 2016). We extend this literature by identifying judicial cooperation as an important economic mechanism that enhances legal predictability and reduces insolvency frictions in global markets. In doing so, we provide new international evidence linking bankruptcy law harmonization to cross-border investment, complementing studies that examines the economic role of country-specific bankruptcy laws for restructuring domestic firms (e.g., Dobbie and Song (2015); Mitman (2016); Iverson (2018); Gross, Kluender, Liu, Notowidigdo, and Wang (2021); Müller (2022); Closset, Großmann, Kaserer, and Urban (2023) and Albertus, Gurrea-Martínez, Hotchkiss, and Zheng (2025)). Finally, by combining the adoption of Chapter 15 in the US and the staggered implementation of the UNCITRAL Model Law across countries, we offer a unified causal framework for understanding how global legal integration shapes firm behavior and international capital flows.[2]

2. Background

2.1. UNCITRAL Model Law and Chapter 15

To assist countries in developing modern legislation that effectively addresses cross-border insolvency proceedings, the United Nations introduced the Model Law on Cross-Border

[2]In a broader context, our paper relates the literature that explores the driving factors of the formation of multinational firms. Prior studies have shown that comparative advantages and country-specific institutions, among other various determinants, are important considerations for expanding firms' boundaries across borders (Bernard, Jensen, Redding, and Schott, 2007). Our paper adds to this literature by providing evidence of the importance of both home and foreign countries' judicial quality and court coordination in shaping firm boundaries.

Insolvency (the UNCITRAL Model Law or simply the Model Law) in 1997 under the auspices of the United Nations Commission on International Trade Law (UNCITRAL). The primary objective of the Model Law is to "*promote cooperation between the courts of States where the debtor's assets are located and the coordination of concurrent proceedings concerning that debtor*," thereby reducing procedural uncertainties faced by multinational debtors.[3] As of 2025, more than sixty jurisdictions have adopted the UNCITRAL Model Law on Cross-Border Insolvency.[4] The United States implemented the Model Law in 2005 through Chapter 15 of the Bankruptcy Code, which has since been widely utilized by non-US firms seeking recognition of foreign insolvency proceedings in the US.

Several key provisions of the UNCITRAL Model Law are designed to enhance the efficiency and cost-effectiveness of cross-border insolvency proceedings by promoting closer coordination among courts. First, once a foreign insolvency proceeding is recognized in a Model Law jurisdiction (hereafter, the *local jurisdiction*), the local court provides additional protection for the debtor's assets within its territory and facilitates their transfer to the debtor's *home court* for an orderly and unified distribution among creditors. As a result, all creditor claims are administered under a single judicial authority—the home court. Second, the Model Law guarantees that foreign creditors enjoy the same rights as local creditors to participate in insolvency proceedings before the home court, thereby strengthening creditor protection in jurisdictions where domestic systems might otherwise disadvantage foreign claims. Finally, the Model Law does not require reciprocity: recognition of a foreign proceeding is not contingent upon the debtor's home jurisdiction having adopted the Model Law. Taken together, these provisions enhance the predictability and uniformity of bankruptcy outcomes for debtors with multinational assets and claims.[5]

[3] A summary of the Model Law's main objectives and provisions can be found at https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency.

[4] The most recent list of adopting jurisdictions is available at https://uncitral.un.org/en/texts.

[5] The European Insolvency Regulation (EIR), introduced in 2002, was designed to reduce judicial uncertainty and promote coordination among national courts in cross-border bankruptcy cases within the European Union. Although similar in spirit to the UNCITRAL Model Law, both aiming to enhance predictability and cooperation across jurisdictions, the EIR operates as a directly binding framework that mandates automatic recognition of insolvency proceedings among EU member states and allocates jurisdiction based on the

2.2. Chapter 15 versus Chapter 11

Before the adoption of Chapter 15 in 2005, multinational companies with US-based assets primarily relied on Chapter 11 of the US Bankruptcy Code for bankruptcy protection. Since 2005, foreign firms have been able to seek protection under either Chapter 11 or Chapter 15. The key distinction between the two lies in which court governs the main insolvency proceeding. Figure 1 illustrates the typical timelines under each framework. Under Chapter 15, a non-US debtor first initiates a main insolvency proceeding in its home jurisdiction—its center of main interests (COMI), typically defined by the location of its headquarters, registered office, or principal assets—and subsequently seeks recognition of that proceeding in a US bankruptcy court by filing under Chapter 15. Because Chapter 15 proceedings are *ancillary* to the main case abroad, the home court retains primary jurisdiction, while US courts provide judicial assistance and protection of US-based assets.

By contrast, under Chapter 11, the US bankruptcy court exercises primary jurisdiction over the debtor's restructuring, and its rulings are intended to have universal effect, even beyond US borders.[6] Although Chapter 11 offers a highly developed legal infrastructure for corporate reorganization, it can be complex and costly, particularly for foreign debtors with significant claims or assets in their home countries (LoPucki and Doherty, 2008; Wang, 2022). In contrast, Chapter 15 proceedings tend to be more streamlined, less time-consuming, and cost-effective.[7]

debtor's "center of main interests" (COMI). Because the EIR already provides a unified regime for intra-EU cases, most member states have not separately adopted the Model Law. A few, however, including Greece (Law 3858/2010), have enacted the Model Law to govern insolvency cases involving non-EU jurisdictions, complementing the EIR's regional framework.

[6] *Foreign debtors* typically must seek recognition of a bankruptcy filing in their home courts to enforce it domestically and to prevent involuntary filings by creditors. Importantly, both Chapters 11 and 15 adopt the principle of *universalism*, under which a single main insolvency proceeding is intended to have an universal effect. The central aim of universalism is to ensure equal treatment of creditors regardless of jurisdiction.

[7] Before the introduction of Chapter 15, foreign firms could file under §304 of the bankruptcy code, which was subsequently replaced by Chapter 15. Notably, Chapter 15 offers clearer guidelines for court coordination, cooperation, and legal certainty. For example, an automatic stay is granted on the day of recognition in Chapter 15, but this is not the case for §304 filings, which usually require judicial discretion. Importantly, comity serves as the primary consideration for granting ancillary relief under Chapter 15, whereas it is only one of the six elements considered in §304. In our untabulated analysis, we retrieve all §304 filings from the 2001–2005 period from Bankruptcydata.com. We find that §304 filers are primarily from tax haven countries and the American continent.

2.3. Implications for Cross-border Investment and Financing

The improved cooperation and coordination between US and foreign courts following the enactment of Chapter 15 have important implications for cross-border investment and financing by multinational firms.

First, by reducing the legal and procedural uncertainty associated with cross-border insolvency, Chapter 15 makes US assets more attractive to foreign acquirers. Before 2005, foreign firms acquiring US assets faced substantial bankruptcy-related risks, as they had to rely solely on Chapter 11, which required initiating a full domestic bankruptcy case under US jurisdiction. This process was complex, costly, and often inconsistent with home-country proceedings. Chapter 15, by contrast, allows foreign debtors to obtain recognition of their home-country insolvency cases in the US without commencing an entirely new proceeding. The recognition framework provides predictable access to US courts for asset protection, automatic stays, and creditor coordination, while preserving the primacy of the home court. This framework is especially valuable to debtors from jurisdictions with more efficient debt enforcement processes than the US, as it enables them to manage cross-border restructurings from a more predictable and familiar legal environment. As a result, foreign firms can invest in or acquire US assets with greater confidence that their rights and recovery procedures will be efficiently protected in the event of financial distress. By lowering expected restructuring costs and strengthening cross-border investor protection, Chapter 15 encourages greater foreign participation in the US asset market.

Second, the adoption of Chapter 15 can enhance the debt capacity of foreign firms by reducing legal uncertainty and strengthening creditor protection. When the bankruptcy process governing foreign debtors with US assets becomes more predictable, creditors are more willing to finance such firms' US operations. Although the US Bankruptcy Code is often regarded as debtor-friendly (Hotchkiss, Thorburn, and Wang, 2023), several provisions within Chapter 15 explicitly safeguard creditor rights—both foreign and domestic. While the foreign debtor's home court oversees the claims of both domestic and foreign creditors,

US creditors retain the ability to file motions in US courts, mitigating concerns of unequal treatment abroad. Importantly, Chapter 15 allows foreign debtors, particularly those based in jurisdictions with more efficient debt enforcement regimes than the US, to anchor the main proceeding in their home courts, where legal outcomes are more predictable and proceedings are typically faster.

The ability to coordinate cross-border restructuring from an efficient legal environment reduces uncertainty for both debtors and creditors, aligning expectations about recovery values. By lowering the expected cost and complexity of insolvency resolution, Chapter 15 provides assurance to lenders that a clear and enforceable framework exists for addressing the insolvency of foreign borrowers. Consequently, creditors are more willing to extend credit to those firms, thereby increasing the firms' overall debt capacity.

3. Data, Variables, and Summary Statistics

3.1. Chapter 15 and Chapter 11 Filings by Non-U.S. Firms

Using data from New Generation Research (NGR)'s BankruptcyData.com database and the Global Insolvency (GI) website, we assemble a comprehensive dataset that contains the complete list of Chapter 15 and Chapter 11 filings by non-US firms during the 2001–2020 period.[8] Our dataset includes detailed information on both Chapter 15 and Chapter 11 cases, such as the debtor's name and industry classification, address, COMI, the existence and location of any foreign proceedings (for Chapter 15 filings),[9] the date and court of filing,

[8]NGR specializes in collecting bankruptcy information from US bankruptcy courts for all business bankruptcy filings. Its data have been extensively used in the bankruptcy literature as a key source for identifying Chapter 11 corporate bankruptcies (e.g., Dou, Taylor, Wang, and Wang (2021); Antill (2022); Wang, Yang, Iverson, and Kluender (2020)). The GI website, managed by the American Bankruptcy Institute, provides a broad repository of information on international and cross-border insolvency and restructuring, including a dedicated Chapter 15 database. The NGR and GI websites are available at `https://www.newgenerationresearch.com` and `https://globalinsolvency.com`, respectively. Chapter 15 cases compiled by GI can be accessed at `https://globalinsolvency.com/chapter-15-database`.

[9]If a foreign case is pending in the firm's COMI, the case is considered a *foreign main insolvency proceeding*. When a foreign proceeding is pending in a country where the debtor maintains an establishment (i.e., conducts economic activity) but not its COMI, it is classified as a *non-main proceeding*. The key distinction is that main proceedings automatically trigger certain rights—such as an automatic stay on collection and litigation—that do not automatically apply to non-main proceedings. However, even if a foreign proceeding

the presiding judge, the case number of the lead case (i.e., the case filed by the parent company when the parent and its subsidiaries file jointly), and any related cases.

Our initial sampling of Chapter 15 filings indicates that between 2005 (the year Chapter 15 was enacted) and 2020, there were 863 and 1,165 cases by firms from 59 non-US countries, as recorded by NGR and the GI website, respectively. [10] To reconcile the initial samples from NGR and the GI website, we first cross-check the information retrieved from both data sources, identify a debtor's *primary* case, and consolidate all of its affiliated cases into the *primary* case using the following sequential procedure: (a) the case filed by a debtor's (ultimate) parent or (b) the lead case if a debtor's (ultimate) parent does not file for bankruptcy in the US.

Second, we manually check a debtor's country of origin (incorporation and headquarters) at the *primary* case level with petition files provided by NGR, Factset, and SEC filings prior to the bankruptcy filing. We use the country of incorporation of a debtor's parent company to determine the location of a Chapter 11 debtor and the COMI to determine the location of a Chapter 15 debtor. We rely primarily on the filing location in the GI database for COMI information and crosscheck this information using search engines and petition files provided by NGR.

Finally, we exclude: 36 noncorporate individual debtors; 48 debtors with unverifiable or missing COMI information; 45 US-incorporated debtors; 19 repetitive debtors at the primary-case level for Chapter 15 filings; one Chapter 11 debtor whose case was involuntarily filed by US creditors; and five Chapter 11 debtors whose lead cases were filed under US incorporation while their non-US parent companies filed as affiliates. After this cleaning

is recognized as non-main, the foreign representative may request such relief, and US bankruptcy courts frequently grant these requests. Among the 63 filings for which we obtained court docket entries, only two were recognized as non-main proceedings. In both cases, the US bankruptcy court granted provisional relief upon request.

[10]The NGR data further identify 128 Chapter 11 filings by firms headquartered outside the US, most of which have assets exceeding $50 million. While we can confidently identify all Chapter 15 filings, our ability to comprehensively capture Chapter 11 filings by foreign firms is more limited, as we rely on the headquarter location reported in the NGR data. Consequently, our count may underestimate the true number of Chapter 11 filings by foreign firms, as it likely excludes direct filings made by US subsidiaries of foreign parent companies.

process, our final dataset consists of 549 Chapter 15 filings by parent firms from 59 countries (2005–2020) and 78 Chapter 11 filings by parent firms from 25 countries (2001–2020).

3.2. Court Dockets

We manually collect court dockets for both Chapter 11 and Chapter 15 cases filed by non-US companies between 2001 and 2009 using the Public Access to Court Electronic Records (PACER) system to assess the relative costs and effectiveness of the two chapters.[11] We obtain court dockets for 17 Chapter 11 filings from nine countries and 66 Chapter 15 filings (at the primary-case level) from 17 countries, all filed in the Southern District of New York and the District of Delaware—the two most experienced bankruptcy courts that handle the majority of large corporate cases in the US (Ellias, 2018). Focusing on these two courts helps minimize complications arising from unobserved court-level heterogeneity, such as differences in forum shopping tendencies or judicial experience. Owing to their dominant role in major bankruptcy proceedings, our docket sample provides broad coverage, encompassing approximately 51% of Chapter 15 and 71% of Chapter 11 filings by non-US firms during the sample period. We obtain information on the number of total court docket entries in a filing, the number of motions and objections filed, the date of the grant of first relief, the grant of the home court order date, the date of granting sale of assets, the plan confirmation date, and the case termination date (see Appendix Table A1 for a detailed explanation of the variables). This information helps us construct measures for case progress and efficiency following prior studies (LoPucki and Doherty, 2004, 2008; Ellias, 2016; Iverson, Madsen, Wang, and Xu, 2023; Goyal, Madsen, and Wang, 2024).

3.3. Country-Level Variables

We construct macroeconomic variables, including GDP per capita, GDP growth rate, and population, using data from Penn Table. We obtain data from the United Nations Statistics

[11]PACER, administered by the Administrative Office of the United States Courts (AOUSC), provides public access to all US bankruptcy filings by businesses and consumers, including Chapter 11 and Chapter 15 cases. One of the authors was granted public access fee waivers by federal bankruptcy judges in the Southern District of New York and the District of Delaware.

Division to construct a bilateral trade measure, defined as the maximum imports and exports between two countries. Stock market index returns and currency returns are sourced from S&P Global Equity Indices, Bloomberg and Global Macro Database. Institutional and legal characteristics, including legal origin, primary language, and creditor rights and insolvency indicators, such as cost and duration of bankruptcy restructuring, and secured creditor recovery rates, are from La Porta et al. (1998), Djankov et al. (2008), and the World Bank Doing Business database. Our country-year panel spans 2005–2020, covering 1,024 country-year observations from 65 countries, which are included in Djankov et al. (2008).

3.4. Firm-Level Variables

To construct our primary sample for the firm-level analysis, we begin with all public non-US firms covered by Compustat Global and Compustat North America during the 2003–2007 period. Our analysis focuses on non-US acquirers headquartered in countries included in Djankov, McLiesh, and Shleifer (2007).

We obtain firm-level accounting data and convert non-US currency-denominated total assets into US dollars using end-of-fiscal-year exchange rates to measure firm size. For capital structure variables, we construct book leverage, defined as long-term debt plus short-term debt divided by total assets; long-term leverage, defined as long-term debt divided by total assets; and trade credit, measured as cost of goods sold divided by accounts payable. To capture the composition of debt financing, we follow Becker and Josephson (2016) and construct a firm's bond financing, defined as the book value of bonds (including commercial paper and all other bond types) divided by total assets, using data from Capital IQ.[12]

We retrieve information on all completed mergers and acquisitions (M&As) announced between 2003 and 2007 from the Mergers and Corporate Transactions database of the Securities Data Corporation (SDC). Following the conventional filters in the literature (Erel et al., 2012), we exclude leveraged buyouts, spinoffs, recapitalizations, self-tender offers, exchange

[12]We exclude firm-year observations in which the difference between total debt reported in Compustat and the sum of debt components reported in Capital IQ exceeds 10 percent of total debt.

offers, repurchases, partial equity stake purchases, acquisitions of remaining interests, privatizations, and transactions in which either the target or the acquirer is a government entity or operates in the financial or utility industries. We restrict the sample to deals where the ultimate parent of the acquirer is a publicly listed firm, without imposing restrictions on the target's ownership status; thus, our sample includes public, private, and subsidiary targets.

We focus on majority-control acquisitions, defined as transactions in which the acquirer's ownership stake increases from below 50% to above 50% of the target's shares. We aggregate both the number and total transaction value of acquisitions at the ultimate parent–firm level and match M&A activity to our primary firm-year sample from Compustat.[13] Transaction values are converted to 2010 constant US dollars using the US Consumer Price Index. The final dataset comprises 18,741 acquisitions totaling USD $1.97 trillion by non-US acquirers across 65 countries, of which 2,477 transactions involve US targets with an aggregate value of approximately USD $457 billion.

3.5. Summary Statistics

Figure 2 (A) plots the number of Chapter 15 and Chapter 11 filings by non-US firms over the 2005–2020 period. Following its introduction in 2005, Chapter 15 saw 22 filings in the first year. The number of filings subsequently increased, reaching peaks of 49 in 2009, 51 in 2016, and 65 in 2020. By 2020, firms from approximately 60 foreign jurisdictions had sought assistance from US bankruptcy courts under Chapter 15. Throughout the period, the number of Chapter 15 filings consistently exceeded that of Chapter 11 filings by foreign firms. These patterns highlight that the enactment of Chapter 15 substantially lowered the barriers for foreign companies to access and utilize US bankruptcy procedures.

In Table 1, we compare the case duration and court docket entries of the Chapter 15 and Chapter 11 cases from 2001–2009. It takes, on average, 31 days from the filing of Chapter 15 to when the first relief is granted and 49 days for the case to be recognized as a foreign

[13] Matching is performed using SEDOLs, CUSIPs, and ISINs as primary identifiers and is manually verified for precision.

proceeding. Although Chapter 15 and Chapter 11 filings are comparable in terms of the number of days from filing to the last active docket date or termination date, the average and median numbers of court docket entries–at 67 and 37, respectively–for Chapter 15 filings are only a small fraction of those for Chapter 11 filings, which have a mean of 922 and a median of 494. In addition, the mean objection rate for Chapter 15 cases is 0%, whereas it is 5% for Chapter 11 cases.

The evidence suggests that the reduction in procedural complexity under Chapter 15 has substantially lowered the costs of cross-border insolvency for non-US firms. This streamlining enables foreign companies to leverage US bankruptcy provisions more effectively for restructuring and resolution. Consistent with this interpretation, we observe that firms from several countries such as Brazil, Germany, South Korea, and Singapore actively used Chapter 15 but never filed for Chapter 11 following its enactment (Figure 2 (B)).

As shown in Table 2, Chapter 15 filers are broadly comparable to Chapter 11 filers in firm size, profitability (ROA), and cash holdings, although they exhibit slightly lower leverage ratios. The two groups also display similar levels of international exposure, as reflected in their percentages of foreign sales and US asset shares, while Chapter 11 firms have modestly higher US sales as a fraction of total sales. Overall, the evidence indicates that Chapter 15 represents a distinctive institutional reform that provides multinational firms with access to a simpler, more predictable, and less costly bankruptcy process in the US.

Table 3 reports the summary statistics for both the country-year data (Panel A) and the firm-year panel (Panel B). On average, non-US countries seek assistance through Chapter 15 filings approximately 0.17 times per year. The average creditor rights score is two, and secured creditors recover, on average, 48 cents per dollar through bankruptcy proceedings.

At the firm level, about 2% of non-US firms undertake acquisitions of US targets each year. For comparison, 5% of non-US firms engage in cross-border acquisitions, and roughly 9% undertake domestic acquisitions annually, on average. The average number of US acquisitions per non-US firm is 0.033, and the mean of the log-transformed count is 0.018. On

average, sample firms have ROA = 0.017 (1.7%) and book leverage = 0.216 (21.6%), with long-term debt accounting for about half of total debt. Bond financing averages 3.6% of book assets, and firms rely heavily on supply-chain financing (trade credit).

4. Country-Level Analyses on Chapter 15 Filings

Before estimating the effect of Chapter 15 adoption on cross-border acquisitions of US firms by non-US acquirers, we first conduct a country-year analysis to examine the legal and economic factors that motivate firms to take advantage of Chapter 15. The substantial variation in the number of Chapter 15 filings across countries, as shown in Figure 2(B), suggests that firms from certain jurisdictions benefited more from the enactment of Chapter 15 than those from others. Specifically, we estimate the following country-year regression using a panel of 65 non-US countries spanning the 2005–2020 period:

$$I.Chapter15_{c,t} = \alpha + \beta Home\ Country_{c,t} + \mathbf{X}'_{c,t-1} \cdot \lambda + \gamma_n + \mu_t + \epsilon_{c,t}, \tag{1}$$

where the dependent variable *I.Chapter15* is an indicator variable that takes a value of one if there is at least one Chapter 15 filing by firms headquartered in a given country c in year t; *Home Country* variables include *Common law, English language, Creditor rights, Cost, Time, Going concern,*, and *Recovery*; and X' represents a set of macroeconomic variables, including *GDP per capita, GDP growth, Population*, *Bilateral trade*, and *Market returns* and *Currency returns* following prior literature (Rossi and Volpin, 2004; Baker, Foley, and Wurgler, 2009; Erel et al., 2012). Considering that many country-level variables are static, we do not include country fixed effects. Instead, we include continental fixed effects (γ_n) and time fixed effects (μ_t). Standard errors are clustered at the country level.

Table 4 reports the results. Columns (1) and (2) show that Chapter 15 filers are more likely to originate from countries sharing the same legal background as the US (i.e., common law) and the same national language. These similarities facilitate communication and

coordination between foreign and US courts. The coefficients for *Common law* and *English language* suggest that sharing the same legal origin and language nearly doubles the probability of filing under Chapter 15, relative to the mean probability of filing of 17.3%.

Column (3) shows that Chapter 15 filers tend to originate from countries with stronger creditor rights, where creditors exert greater influence in the bankruptcy process. Debtors in these countries are more inclined to seek protection under Chapter 15 than Chapter 11, which is generally regarded as a debtor-friendly bankruptcy regime.

Columns (4) to (7) explore how different aspects of debt enforcement efficiency in a debtor's home country shape the likelihood of filing under Chapter 15. We find that Chapter 15 filers more often come from countries where insolvency procedures are less costly and less time-consuming. The economic magnitudes are sizable. The coefficient estimates in columns (4) and (5) indicate that a one–standard-deviation reduction in the cost and duration of insolvency resolution increases the probability of using Chapter 15 by 35% and 72% relative to the mean, respectively. Column (6) further shows that firms from countries whose insolvency regimes better preserve going concerns tend to choose Chapter 15 over Chapter 11 in the US. Likewise, column (7) indicates that firms headquartered in countries with higher creditor recovery rates more frequently utilize Chapter 15. This result aligns with the findings in columns (4) to (6), since *Creditor recovery* combines information on *Cost*, *Time*, and *Going concern* (Djankov et al., 2008).

To further support the empirical findings in columns (3) to (7), Figure 3 plots histograms of the raw differences in *Creditor rights*, *Cost*, *Time*, and *Creditor recovery* between non-US countries and the US in the year of Chapter 15 filings. A larger value indicates that the non-US country scores higher than the US in the respective dimension. The figure shows that Chapter 15 filers are concentrated in countries with stronger creditor rights, lower insolvency costs, shorter resolution time, and higher debt recovery rates relative to the US.

Finally, column (8) includes *Common law*, *Creditor rights*, and *Creditor recovery*, and the results remain qualitatively similar. We exclude the other explanatory variables because

English language is highly correlated with *Common law*, and *Creditor recovery* is an index constructed from *Cost*, *Time*, and *Going concern*. Overall, the results in Table 4 suggest that Chapter 15 filers tend to come from countries with legal origins similar to those of the US, stronger creditor rights, and more efficient local bankruptcy systems. In other words, multinational debtors located in countries with efficient insolvency regimes are more likely to choose Chapter 15 to benefit from coordination between their home and US courts, whereas those from countries with weaker insolvency frameworks are more likely to file directly under Chapter 11 in the US.[14]

5. Chapter 15 and Cross-Border M&A

In this section, we examine the effect of Chapter 15 adoption on non-US firms' cross-border acquisition activities using a difference-in-differences design.

5.1. Empirical Specification and Baseline Results

Section 4 shows that the adoption of Chapter 15 in the US disproportionately benefited firms from countries with specific legal and institutional characteristics. Importantly, these country-level characteristics are largely static over time. Even for countries that experienced changes in their legal or institutional environments, such changes are not directly related to US law reforms. Motivated by these findings, we next compare the acquisition activities of firms from countries that were disproportionately affected by the adoption of Chapter 15 (*Treated*) with those from countries that were unlikely to seek Chapter 15 filings (*Control*), using a difference-in-differences framework to identify the causal effect of Chapter 15 adoption on cross-border acquisitions.

We estimate variants of the following ordinary least squares (OLS) specification using a

[14] In Appendix Table A2, we re-estimate Equation (1) using the natural logarithm of the number of Chapter 15 filings from a country in a given year as the dependent variable. The results are largely consistent with those presented in Table 4.

firm-year panel of 65 non-US countries over the 2003–2007 period:

$$Y_{i,t} = \alpha + \beta PostChapter15_t \times Treated_c + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_i + \mu_{j,t} + \epsilon_{i,t}. \quad (2)$$

We employ a narrow five-year window around the enactment of Chapter 15 to mitigate potential confounding effects from the Global Financial Crisis (Reddy, Nangia, and Agrawal, 2014). The short window also helps alleviate concerns about contemporaneous confounding influences arising from the adoption of the UNCITRAL Model Law by other countries immeidately after 2005.

In Equation (2), *PostChapter15* is an indicator variable equal to one for years after 2005, the year when Chapter 15 was enacted; and *Treated* equals one if a firm's home country is predicted to utilize Chapter 15 after 2005, based on its pre-enactment characteristics in 2004 and the coefficient estimates reported in Column (8) of Table 4. Specifically, 33 out of the 65 countries are classified as *Treated* countries. We use subscripts c, i, j and t to denote country, firm, industry (2-digit SIC industry classification) and year, respectively, and let X' represent a vector of control variables. The coefficient of interest, β, captures the impact of Chapter 15 adoption on firms from countries expected to file under Chapter 15. All specifications include firm fixed effects (γ_i) to account for time-invariant firm characteristics and industry-year fixed effects ($\mu_{j,t}$) to control for common industry trends in global M&A activity.

Table 5 reports the estimates of Equation (1) using two dependent variables: an indicator variable equal to one if a non-US firm acquires a US target in a given year, and the intensity of acquisitions, measured as the natural logarithm of the number of US targets acquired.[15][16] The coefficients on *PostChapter15* × *Treated* in columns (1) and (2) are positive and statis-

[15] Appendix Table A3 presents results using the total dollar volume of acquisitions. We do not include this specification in the main tables because deal values are missing for a large fraction of transactions. Nonetheless, the results based on dollar volume are qualitatively similar to those in our baseline.

[16] We estimate a linear model using the natural logarithm of the number of acquisitions rather than a Poisson model with raw counts, since Poisson estimation excludes fixed-effect groups that contain only zeros.

tically significant at the 5% level and 1% level respectively. The results suggest that treated firms increased their acquisitions of US targets relative to control firms–both in likelihood and in intensity–after the enactment of Chapter 15. Quantitatively, the estimates suggest that, controlling for firm and industry-year fixed effects, treated firms are 25% more likely to acquire US targets, and the number of acquisitions rises by 28% following Chapter 15 adoption.

5.2. Robustness Tests

Our baseline results indicate that firms from countries expected to take advantage of Chapter 15 are more likely to acquire US assets. However, one potential concern is that the timing of Chapter 15's enactment may coincide with unobservable factors such as changes in legal, financial, or institutional environments in either the US or foreign countries. These factors could independently influence cross-border acquisition activity. In addition, firms from countries that are likely to utilize Chapter 15 may differ systematically from those in other countries, and such inherent differences could drive the observed acquisition patterns. To address these concerns, we conduct a comprehensive set of robustness tests.

5.2.1. Non-US Firms' Acquisitions in Other Markets

Prior studies show that regulations as well as economic and market conditions such as exchange rates and stock valuations are key determinants of cross-border acquisitions (Erel et al., 2012; Rossi and Volpin, 2007). If the macroeconomic trends of treated countries are correlated with broader capital inflows to the US, the observed effect of Chapter 15 may not be confined to acquisitions of US targets. In other words, if the increase in US acquisitions is driven by unobservable factors specific to countries that would take advantage of Chapter 15, we should expect to observe similar patterns in their acquisitions of non-US targets after 2005. To examine this possibility, we conduct a placebo test using acquisitions of non-US targets and domestic targets to assess whether the estimated treatment effect reflects broader macroeconomic trends rather than the causal impact of Chapter 15 adoption.

Table 5 presents the results using four alternative dependent variables: an indicator variable for non-US cross-border acquisitions in column (3), the number of cross-border acquisitions of non-US targets in column (4), an indicator variable for domestic acquisitions in column (5), and the number of domestic acquisitions in column (6). The coefficient on *Post Chapter15* $\times$ *Treated* is close to zero and statistically insignificant across all specifications.[17] These findings confirm that the effect of Chapter 15 on capital flows is specific to acquisitions of US targets and does not extend to other types of acquisitions.

5.2.2. Excluding Countries with Bankruptcy Law Reforms

One might be concerned that major local bankruptcy reforms in some foreign countries coincided with the enactment of Chapter 15 in the US, potentially confounding our baseline results. For example, Brazil enacted a new bankruptcy law in 2005 that is similar to Chapter 11 in the United States, which could affect the costs of cross-border acquisitions. We therefore exclude countries that reformed their bankruptcy laws during the 2003–2007 period based on the list of countries with major bankruptcy law reforms in Altman, Dai, and Wang (2023). The main results hold as shown in Panel A of Table 6.

5.2.3. Acquisitions by US firms

We also consider the possibility that our main results capture the effects of other reforms introduced alongside Chapter 15 that may have influenced US takeover activity. For instance, the consumer bankruptcy reform (BAPCPA) was enacted concurrently with Chapter 15 in 2005. Although this reform primarily targets individual debtors, it may have indirectly affected investment and financing decisions of US corporations. If our baseline results were driven by such concurrent reforms, we would expect to observe a similar increase in acquisition activity by US firms. To test this possibility, we conduct a placebo analysis using US firms' acquisition activities over the same sample period (2003–2007) surrounding the adoption of Chapter 15. The results, presented in Appendix Table A4, show no evidence

[17] We obtain similar results when using the dollar value of non-US and domestic transactions.

that US firms increased domestic acquisitions following the enactment of Chapter 15. This evidence alleviates concerns that our findings are confounded by contemporaneous, time-varying factors affecting US corporate behavior during this period.

5.2.4. Propensity Score Matching

In our baseline analysis, we estimate Equation (1) using the specifications from Column (8) of Table 4 for 65 non-US countries over the period 2005–2020. We then apply the estimated coefficients together with each country's characteristics as of 2004 to calculate its propensity to file for Chapter 15. Although our baseline analysis estimates within-firm changes in cross-border acquisitions, one might still be concerned that firms in treated countries—those expected to file under Chapter 15—systematically differ from firms in non-filing countries. Such pre-existing heterogeneity between the treated and control groups, rather than differences in their potential use of Chapter 15, could drive the observed patterns in cross-border M&A activity around the time of enactment. To address this concern, we implement propensity score matching to align treated and control firms on observables prior to Chapter 15. Specifically, for each treated-country firm we select a control-country firm matched on all firm- and country-level controls from Table 5 measured in 2004, within the same 1-digit SIC industry, with replacement and a caliper of 0.01. After matching, the sample covers 61 countries, with firms from 32 countries classified as *Treated*.

Table 6 Panel B shows that controlling for firm and industry-year fixed effects, treated firms are 32% more likely to acquire US targets, and the number of acquisitions increases by 31% following Chapter 15 adoption. These effects are comparable to those in Table 5. Consistent with this pattern, treated firms expand acquisitions of US targets after the reform, while no comparable change appears for non-US foreign or domestic targets. Overall, the matching analysis confirms that the results are robust when restricting the sample to observably comparable firms.

5.2.5. *Alternative Definition of Treated Countries*

Our results are also robust when we redefine treatment using the predicted *ex ante* number of Chapter 15 filings as a proxy for a country's propensity to file during 2005–2020. Specifically, we set $Treated = 1$ if, in a given year, the predicted probability (or predicted count) of Chapter 15 filings is above the sample median, and 0 otherwise. Panel C of Table 6 shows that the results are unchanged.

We also employ an ex post, actual-use definition: *Treated* countries are those from which at least one Chapter 15 filer originated during our sample period, on the premise that countries that used Chapter 15 at least once would be positioned to take advantage of the reform. This approach follows the spirit of Bernstein, Colonnelli, and Iverson (2019), who measure a judge's liquidation bias over the full sample and then apply that time-invariant measure to individual cases. As reported in Panel D of Table 6, the results are quantitatively similar under this alternative definition.

5.2.6. *Time Series Dynamics*

Finally, we examine the time-series dynamics of the probability and number of cross-border acquisitions of US firms by non-US firms around the adoption of Chapter 15. Specifically, we replace the interaction term $PostChapter15 \times Treated$ in Equation (2) with four interaction terms between *Treated* and year indicators for 2003, 2005, 2006, and 2007. We then plot the corresponding coefficient estimates and their 95% confidence intervals in Figure 4.

The figure shows that the interaction coefficients for *Treated* and 2003 and for *Treated* and 2005 are not statistically different from the interaction term of *Treated* and 2004, which serves as the benchmark year. This evidence indicates no pre-trend between treated and control firms prior to the US adoption of Chapter 15 at the end of 2005. In contrast, acquisitions of US firms by treated non-US firms gradually increase after 2005, with both post-adoption interaction terms statistically significant at the 10% level. The absence of pre-trends and the significant increase after 2005 support the validity of our empirical design and reinforce the causal interpretation of our baseline results.

6. Debt Financing

Our earlier results show that firms from countries with similar legal origins, stronger creditor rights, and more efficient bankruptcy procedures are more likely to utilize Chapter 15 and to increase their acquisitions of US targets following its enactment. This pattern is consistent with a reduction in the complexity and uncertainty associated with cross-border insolvency proceedings: foreign firms can rely on an efficient home-country proceeding as the main case, while Chapter 15 facilitates recognition and coordination in the United States. Improved cross-court collaboration and enhanced debt enforcement efficiency are expected to increase creditor recovery and, in turn, expand foreign firms' debt capacity (Hackbarth, Hennessy, and Leland, 2007; Djankov et al., 2007; Sautnerand and Vladimirov, 2018). Consequently, not only traditional secured lenders but also unsecured, arm's-length creditors are expected to be more willing to finance foreign acquirers of US targets.[18]

We test the financing channel in three steps. First, we perform heterogeneity tests to show our main findings are more pronounced among firms that have higher leverage and more prone to collateral seizure and liquidation. Second, we examine whether, following Chapter 15 adoption, foreign firms increase (i) book leverage, (ii) long-term debt, (iii) unsecured debt, and (iv) trade credit. Finally, we assess whether non-US firms raise more US dollar–denominated loans, as such loans are likely used to finance the acquisition of US targets (Erel et al., 2022).

6.1. Heterogeneity Tests

Firms with high leverage or elevated default risk are expected to gain more from reforms to cross-border insolvency because their creditors are particularly sensitive to the protections afforded by bankruptcy law (Aral, Giambona, and Wang, 2022). By reducing uncertainty and expected costs in US insolvency proceedings, Chapter 15 should enhance the debt ca-

[18]Prior studies show that bankruptcy costs strongly shape firms' *ex ante* capital structure and financing choices. Cross-country evidence links variation in bankruptcy regimes to the supply of bank credit (e.g., Davydenko and Franks 2008; Acharya, Sundaram, and John 2011; Fan, Titman, and Twite 2012).

pacity of riskier non-US firms, thereby facilitating their cross-border investment. Moreover, because tangible assets are easier for creditors to seize and liquidate in default, firms with higher asset tangibility should benefit more from improved judicial coordination between US and non-US courts, which simplifies supervised asset sales. In contrast, firms with greater intangible investment such as those with high R&D intensity are likely to benefit less from such coordination.

We implement two types of cross-sectional partitions to examine heterogeneity in firms' responses to Chapter 15 adoption. First, within each country, we split firm-year observations at the 2004 country-specific medians of leverage, asset tangibility, and R&D-to-assets. Second, we sort firm-year observations into terciles based on the Z-score and classify firms in the bottom tercile as having high default risk, whose creditors are more exposed to insolvency costs (Altman, Hotchkiss, and Wang, 2019).

The results presented in Table 7 support our prediction that the baseline effects are concentrated among firms with high leverage, high default risk, high asset tangibility, and low R&D intensity. The estimated coefficient of the interaction term, *Post* × *Treated*, is economically and statistically significant for these subsamples, particularly when compared with the baseline results. Overall, our heterogeneity tests suggest that the benefits of Chapter 15 are not uniform across firms, but are disproportionately larger for firms with characteristics that make them more sensitive to bankruptcy frictions.

6.2. Corporate Leverage

To examine the direct impact of Chapter 15 on firms' financing capacity and capital structure, we estimate Equation (2) using the book leverage ratio, long-term leverage ratio, bond financing, and trade credit as dependent variables. The results are reported in Table 8.

In Column (1), the coefficient on *PostChapter15* × *Treated* is 0.005 and statistically significant at the 10% level. Firms expected to benefit more from Chapter 15 increased their book leverage by 0.5 percentage points, corresponding to a 2.3% increase relative to the sample mean. While the magnitude of the effect on overall leverage is moderate, it is

economically meaningful given the short post-enactment window.

We next explore whether *treated* firms adjusted their debt composition after the adoption of Chapter 15. We expect lower uncertainty faced by creditors in liquidation or reorganization to improve debtors' long-term capacity (Fan et al. (2012)). Moreover, the improved bankruptcy process after the introduction of Chapter 15 can affect firms' mix of debt financing. Becker and Josephson (2016) show that firms in countries with inefficient bankruptcy procedures issue fewer corporate bonds but more bank loans because bank loans are more likely to be renegotiated out of the court than corporate bonds in default. Following their suggestions, we examine whether the increase in leverage is particularly related to bond issuance.

Column (2) shows that the increase in total debt is entirely driven by the issuance of long-term debt. The coefficient estimate implies a 6% increase in long-term debt relative to the mean. Furthermore, Column (3) shows that firms increased the proportion of corporate bonds in total debt by 0.4 percentage points, representing an increase of more than 10% above the mean. The stronger rise in long-term leverage and bond financing, relative to the overall book leverage, suggests that non-US firms likely substituted short-term secured borrowing with long-term unsecured debt to finance cross-border investments following the adoption of Chapter 15.

To explore whether the increase in long-term debt is linked to financing cross-border acquisitions, we re-estimate the specification using firms' cash holdings (i.e., cash and short-term investments) and capital expenditures as dependent variables. Our untabulated results show that firms experience a decline in cash balances and no significant change in new capital expenditures. Combined with our main findings, this pattern suggests that firms likely financed their acquisitions through a mix of existing cash reserves and new long-term debt issuance. Consistent with this interpretation, an analysis of payment methods for completed cross-border deals from 1997–2020 shows that over 85% of transactions are cash-financed. Overall, the evidence supports the view that firms increased leverage primarily to

fund cash payments for target acquisitions.

In the last column of Table 8, we examine whether suppliers became more willing to extend trade credit following the adoption of Chapter 15. Improved coordination among bankruptcy courts under Chapter 15 can enhance overall recovery rates by reducing procedural inefficiencies. However, because trade creditors are generally subordinated in priority and many smaller suppliers lack the sophistication or resources to participate effectively in multi-jurisdictional proceedings, the distributional benefits may accrue disproportionately to senior lenders. Column (4) shows that trade credit increased only slightly for *treated* firms after 2005 but the effect is not statistically significant.

Taken together, the results in Table 8 are consistent with improved access to debt financing after the enactment of Chapter 15 among firms more likely to utilize its provisions. Although these measures reflect aggregate debt (i.e., not separated by the geographic source of capital), the evidence suggests that long-term senior unsecured creditors, in particular, benefited from the enhanced legal coordination and creditor protection provided by Chapter 15.

6.3. USD-denominated Loans

Prior studies show that foreign operations of multinational firms are usually funded by local lenders because geographically close lenders are better at monitoring and valuing local collateral (see, for example, Jang (2017)). For this reason, we expect foreign firms to be more likely to source debt capital from U.S. lenders after the adoption of Chapter 15. To provide further evidence on non-US firms' financing for their acquisitions of US-based targets, we examine whether non-US firms are more likely to raise more debt finance in US dollars to facilitate their acquisitions.

To determine the currency of capital sources, we collect data on bank loans issued by non-U.S. firms from January 2003 until June 2007 from Dealscan. We include only loans to publicly traded companies with the financial information of the borrowers available. One of the advantages of using loan issuance data, compared with annual capital structure snapshots

from financial statements, is that we can identify the currency of debt as well as lenders who finance the loans. The final sample consist of 6,315 loan packages issued by 3,209 borrowers whose parent companies are located in 42 non-US countries.

To examine the impact of Chapter 15 on the amount of US dollar denominated loans issued, we perform the following regression:

$$\begin{aligned} Loansize_k =& \alpha + \beta_1 PostChapter15_t \times USDdenominated_k \times Treated_c \\ &+ \beta_2 PostChapter15_t \times Treated_c + \beta_3 PostChapter15_t \times USDdenominated_k \\ &+ \beta_4 USDdenominated_k \times Treated_{c,t} + \beta_5 PostChapter15_t \\ &+ \beta_6 USDdenominated_k + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_{c\times t} + \tau_{m\times t} + \epsilon_k, \end{aligned} \tag{3}$$

where k indicates a loan, m indicates the borrower's industry, c indicates the borrower's parent country, i indicates the borrower, and t indicates the year of loan issuance. *Post Chapter15* is a binary variable that takes a value of one after the date on which Chapter 15 was enacted (October 17th, 2005); *Treated* equals one if the borrower's parent company is from a country that filed for Chapter 15 between 2005 and 2010; and *USD denominated* is a binary variable that takes a value of one if the loan is arranged in US dollars. In the baseline specification, we include country-year ($\gamma_{c\times t}$) and industry-year ($\tau_{m\times t}$) fixed effects. We also control for loan characteristics (the number of facilities within a package, indicators for term loans, revolvers, and secured loans, and loan maturity) and lagged borrower characteristics (log of total assets in US dollars, profitability, tangibility, sales growth, and the indicator for having a credit rating). Additionally, we include *GDP per capita, GDP growth, Listed firms, and Bilateral trade* to control for country-level observables. The coefficient of interest β_1 estimates the changes in loan size for firms from Chapter 15 countries after the adoption of Chapter 15 when they receive loans in US dollars.

The results are reported in Table 9. Columns (1) and (2) show that the coefficient for *Post Chapter15* $\times$ *USD denominated* $\times$ *Treated* is positive and statistically significant. As

Loan Size is measured as a natural logarithm, the estimates show that firms from countries with greater use of Chapter 15 can receive loans that are 44.3% larger from U.S. lenders after adopting Chapter 15.

In Columns (3) and (4), we replace the dependent variable with the natural logarithm of the value-weighted all-in-drawn spread of a loan package, where the weights are based on the loan facility amounts. We find no evidence that loan spreads changed as a result of Chapter 15 adoption. Combined with the evidence on debt financing in Table 8, these results suggest that non-US firms more likely to benefit from Chapter 15 increased their long-term leverage, with the rise largely driven by bond issuance and US dollar–denominated loans. However, loan spreads remained unchanged, indicating that the increase in leverage did not come at a higher borrowing cost.

7. Staggered Adoption of the UNCITRAL Model Law

Our main analyses focus on the US Chapter 15 setting, which offers a key advantage: it allows us to identify firms that were disproportionately affected by the US adoption of Chapter 15 and to obtain comprehensive profiles of foreign firms that filed under the new regime. In this section, we broaden the scope of our analysis by employing a global research design that exploits the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency across countries. Specifically, we examine cross-border M&A activity surrounding the timing of Model Law adoption in 21 countries as of 2025.[19] Although firm-level data on global bankruptcy filings are limited, this cross-country analysis provides a useful external validation of our main findings and helps alleviate concerns that the observed effects in the US setting may be driven by unobservable, country-specific factors.

[19] Although 63 jurisdictions have adopted the UNCITRAL Model Law, only 21 are included in Djankov et al. (2008). Appendix Table A5 lists all adopting countries during the 2000–2025 period, based on data from the United Nations Commission on International Trade Law (UNCITRAL): https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency/status.

7.1. Model Specification and Baseline Results

We construct a country-pair-year panel covering the period from 1997 to 2020 using the 66 countries covered in Djankov et al. (2008), among which 21 countries (including the U.S.) adopted the UNCITRAL Model Law. We define *% Cross-border acq* as the number of total cross-border deals in year t in which the target is from country j and the acquirer is from country a (where $a \neq j$), scaled by the sum of all domestic deals in the target country j and cross-border deals between the two countries in year t, following Erel et al. (2012). We estimate the following regression using country-pair-year observations from 66 countries that had at least one cross-border M&A deal between the two countries in pairs from 1997 to 2020:

$$\begin{aligned} \%\textit{Cross-border acq}_{a,j,t} = &\alpha + \beta \textit{Post UNCITRAL}_{j,t} + \Delta \textit{Country characteristics}_{a\text{-}j} \\ &+ \lambda_{a\times j} + \gamma_{a\times t} + \epsilon_{c,t}, \end{aligned} \tag{4}$$

where *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year in the target country j, and Δ*Country characteristics*$_{a\text{-}j}$ measures the differences in macroeconomic characteristics between the acquiring country (a) and the target country (j) in a given year. We include country-pair fixed effects to account for time-invariant factors specific to each country pair, such as historical trade relationships, geographic proximity, and institutional similarities. We also include acquiring country-by-year fixed effects to control for time-varying macroeconomic conditions in the acquiring country that may influence cross-border M&A activity. The coefficient β captures the change in cross-border acquisitions within a given country pair and year that can be attributed to the enactment of the UNCITRAL Model Law.

Panel A of Table 10 presents summary statistics for the dependent and control variables included in the country-pair-year regression analysis. Our study sample includes 45,132 country-pair-year observations.

Panel B column (1) of Table 10 shows that after a country adopts the UNCITRAL Model

Law, the proportion of cross-border acquisitions targeting firms in that country increases by 1.4 percentage points. The coefficient is statistically significant at the 1% level, and the effect is economically meaningful relative to the unconditional mean of 0.04.[20]

We also examine the time-series dynamics associated with the staggered adoption of the UNCITRAL Model Law on cross-border acquisitions. Specifically, we replace the indicator variable $UNCITRAL$ with eight dummy variables representing each year before and after the adoption. We then plot the corresponding coefficient estimates and their 95% confidence intervals in Figure 5. The figure shows lack of evidence of differential pre-trends between treated and control countries prior to the adoption of the UNCITRAL Model Law. In contrast, cross-border acquisitions of target firms in treated countries increase following the adoption year, with post-adoption coefficients statistically significant at the 1% and 5% levels. The absence of clear pre-trends and significant post-adoption effects further validate our empirical design and the causal interpretation of our baseline results.

In columns (2) and (3), we perform subsample tests that distinguish between developed markets and emerging economies based on classifications in Djankov et al. (2008). We find that the effect is particularly strong among emerging economies, where institutional reforms likely generate greater marginal benefits. The test of coefficient differences for *Post UNCITRAL*, reported at the bottom of the table, confirms that the increase in cross-border acquisitions is significantly larger in emerging economies than in developed countries.

In column (4), we assess the robustness of our findings using a stacked cohort difference-in-differences approach following Gormley and Matsa (2016), employing a 10-year event window and clean control groups. Finally, in column (5), we estimate a Poisson regression model to account for excess zeros in the dependent variable, which capture country pairs with no cross-border acquisitions in certain years. Our results stay both qualitatively and quantitatively similar.

Overall, these results indicate that countries aligning their bankruptcy regimes with

[20]In untabulated analyses, we exclude acquisitions involving US firms, since the United States adopted the UNCITRAL Model Law in 2005, and find our results remain unchanged.

global standards and improving cross-court coordination experience a significant increase in inbound acquisitions, particularly among emerging economies where the benefits of legal harmonization are most pronounced.

7.2. Heterogeneous Effects

Although data limitations prevent us from directly identifying bankruptcy filers utilizing the UNCITRAL Model Law outside the United States, Figure 3 suggests that these filers tend to originate from countries with lower bankruptcy costs, shorter insolvency durations, and higher debt recovery rates. This pattern indicates that acquiring countries may derive greater benefits from their relatively more efficient domestic bankruptcy systems than target countries that have adopted the Model Law. To further examine this mechanism, we extend the analysis in Panel B by interacting *Post UNCITRAL* with country-level differences in *Creditor Rights*, *Cost*, *Time*, *Going Concern*, and *Creditor Recovery* between acquiring and target countries in a country-pair-year panel. This specification allows us to assess how creditor rights and the efficiency of the acquiring country's bankruptcy system shapes cross-border acquisition activity in target nations following the adoption of the Model Law.

In Panel C, columns (1) and (2) show that acquiring countries with stronger creditor rights and lower insolvency costs are marginal more likely to engage in cross-border acquisitions, given that the coefficients are positive but not statistically significant. In columns (3) and (4), we find that acquiring countries with more active cross-border acquisitions tend to have shorter resolution times and a higher likelihood of remaining as going concerns, compared to target countries that have adopted the UNCITRAL Model Law. Similarly, in column (5), we find that conditional on the target country adopting the UNCITRAL law, a one-standard deviation increase in the recovery rate difference between the acquiring and target countries leads to a 10.5% increase in cross-border acquisitions after Model Law adoption. These results align with our findings that non-US firms using Chapter 15 are more likely to be those from countries with more efficient bankruptcy systems.

7.3. Evidence from FDI Flows

Finally, we examine whether foreign direct investment (FDI) exhibits similar patterns to cross-border acquisitions—that is, whether the positive impact of insolvency harmonization on international capital allocation extends beyond cross-border M&A activity. Prior studies such as Baker et al. (2009) show that firms invest more abroad, using their temporarily inflated share prices or collateral values to fund their FDI. This pattern highlights how multinationals reallocate capital across imperfect markets in response to both financial and institutional sources of reduced investment frictions.

To examine whether the adoption of Model Law leads to increase in FDI, we construct a country-pair-year panel covering the period from 2001 to 2020 using the 66 countries covered in Djankov et al. (2008), among which 21 countries (including the U.S.) adopted the UNCITRAL Model Law.[21] We define *FDI* as the inward FDI flow (in millions of US dollars) from origin country a to destination country j in year t, and estimate the following regression using country-pair-year observations from 66 countries that had less than five missing annual FDI observations from 2001 to 2020:

$$FDI_{a,j,t} = exp(\alpha + \beta Post\ UNCITRAL_{j,t} + \Delta Country\ characteristics_{a\text{-}j} + \lambda_{a\times j} + \gamma_{a\times t}) + \epsilon_{c,t} \tag{5}$$

where *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year in the target country j, and $\Delta Country\ characteristics_{a\text{-}j}$ measures the differences in macroeconomic characteristics between the origin country (a) and the destination country (j) in a given year. The coefficient β captures the change in FDI flows within a given country pair and year that can be attributed to the enactment of the UNCITRAL Model Law.

[21] We use bilateral FDI data from Steenbergen, Liu, Latorre, and Zhu (2022), who compile FDI information using several major sources, including the UNCTAD bilateral FDI dataset, the IMF CDIS dataset, the OECD bilateral FDI statistics, and China's inward and outward FDI statistics. The dataset covers 247 economies from 2001 to 2020 and represents the most extensive bilateral FDI database currently available.

In column (1) of Table 11, we find that following a destination country's adoption of the UNCITRAL Model Law, bilateral FDI inflows from origin countries increase by about 13%. This suggests that insolvency harmonization enhances cross-border investment flows by improving the predictability of recovery and creditor protection for foreign investors. Columns (2) and (3) further show that the effect is economically and statistically stronger among emerging-market destinations, which is consistent with our cross-border M&A results. In column (4), we test the robustness of these findings using a stacked cohort difference-in-differences design following Gormley and Matsa (2016), which defines cohorts by the year of UNCITRAL adoption and compares treated and untreated pairs within a ten-year event window. Finally, in Column (5), we estimate an OLS model with $\ln(FDI)$ as the dependent variable to capture the intensive margin of investment. The results remain consistent, showing that destination countries receive approximately 12% higher FDI inflows from origin countries after adopting the UNCITRAL Model Law.

8. Conclusion

This paper examines how reducing legal uncertainty in cross-border insolvency proceedings, through improved court coordination and collaboration, affects international capital allocation. Exploiting the 2005 adoption of Chapter 15 of the US Bankruptcy Code and the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency across countries, we provide novel evidence that legal harmonization and enhanced judicial cooperation facilitate cross-border capital flows.

Our firm-level analyses show that the availability of Chapter 15 encourages foreign firms to acquire US assets by increasing their debt capacity, consistent with reductions in perceived insolvency risk and the cost of financial distress. Countries with more efficient debt enforcement regimes benefit the most, as Chapter 15 allows them to anchor insolvency proceedings in their home jurisdictions while obtaining recognition and asset protection in the United States. Extending the analysis globally, we find that countries adopting the UNCITRAL

Model Law experience a measurable increase in inbound cross-border M&A activity and foreign direct investment, particularly among emerging economies. The effects are more pronounced when acquiring countries possess more efficient bankruptcy systems, underscoring the role of legal uncertainty and institutional asymmetry in shaping international investment decisions.

Taken together, our findings suggest that the harmonization of insolvency laws by reducing legal uncertainty, strengthening creditor protection, and improving judicial coordination enhances both capital mobility and financial integration. These results highlight the critical role of international legal infrastructure in facilitating efficient cross-border capital flows. An important implication of our study is that further convergence toward global insolvency standards could generate substantial economic benefits, particularly for countries seeking to attract foreign investment and minimize the frictions associated with cross-border restructuring.

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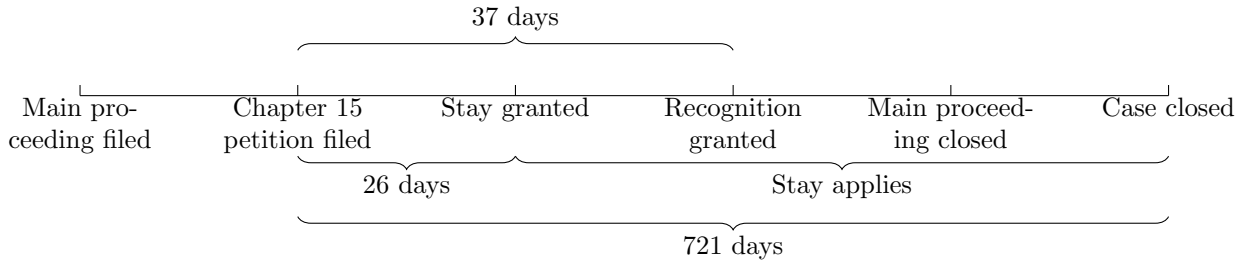
Figure 1. Timeline of Chapter 15 and Chapter 11 Processes

The figure shows the timelines for Chapter 15 and Chapter 11 processes. The first timeline illustrates the process of a typical Chapter 15 case, commencing with an insolvent non-US debtor filing for bankruptcy in its home court as the main insolvency proceeding. A foreign representative appointed by the debtor's home court then submits an application to obtain recognition of the main insolvency proceeding in a US bankruptcy court. Upon recognition of the foreign insolvency case, a Chapter 15 debtor is granted an automatic stay that prevents creditors from seizing assets located in the US While the Bankruptcy Code's provisions do not protect the foreign debtor during the gap period (i.e., the time between filing the Chapter 15 petition and granting recognition), a foreign representative can seek protection by requesting "provisional relief" from the US bankruptcy court to safeguard against any attack on the foreign debtor's US assets. Upon termination of the main insolvency proceeding, the foreign representative typically requests that the US court closes the Chapter 15 case. The second timeline illustrates the process of a traditional Chapter 11 case, which commences with the filing of a petition with a US bankruptcy court. The debtor proposes a plan of reorganization. Creditors whose rights are affected vote on the plan, and the court confirms the plan once it secures the required votes and satisfies specific legal requirements. The court subsequently closes the Chapter 11 case. The numbers displayed represent the median number of days sourced from Table 1.

Chapter 15



Chapter 11

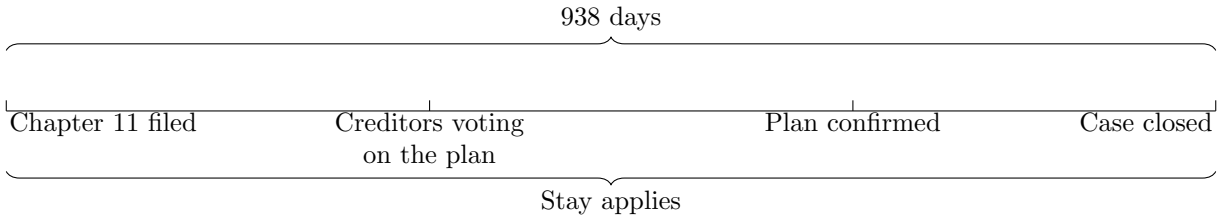


Figure 2. Number of Chapter 15 and Chapter 11 Filings by Year and Country

The figure presents the number of Chapter 15 and Chapter 11 filings by year (Panel A) and country (Panel B). The sample includes all Chapter 15 and Chapter 11 filing by non-US firms from 2005–2020 by the sample of 76 countries studied by Djankov et al. (2008). The location of a debtor's country is defined as the country of incorporation for Chapter 11 debtors and COMI for Chapter 15 debtors. "Other countries" in Panel B include those that filed for only one Chapter 15 filing without any Chapter 11 filings over the sample period, including Switzerland, Sweden, the Czech Republic, Peru, Romania, Serbia, Honduras, Malaysia, and Ukraine.

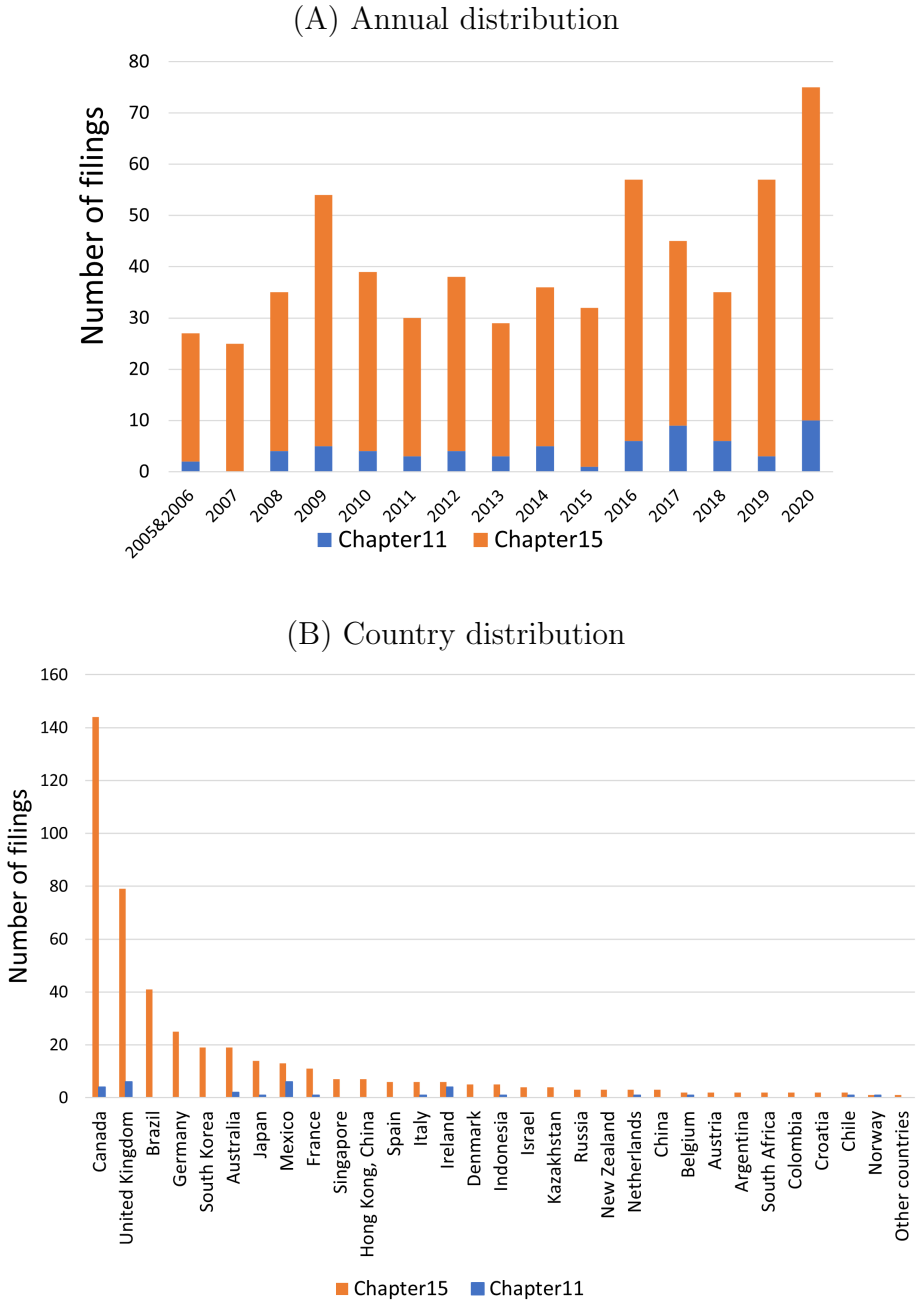


Figure 3. Chapter 15 Filings by Differences in Creditor Rights and the Efficiency of Debt Enforcement

The figure shows the number of Chapter 15 filings over 2005–2020, plotted against differences in *Creditor rights*, *Cost*, *Time*, and *Creditor recovery* between the countries of Chapter 15 filing firms and the US. *Creditor rights* represents an index aggregating creditor rights from Djankov et al. (2007). *Cost*, *Time*, and *Creditor recovery* are debt enforcement efficiency measured adopted from Djankov et al. (2008). Specifically, *Cost* measures the expense involved in resolving insolvency, which is recorded as a percentage of the debtor's estate value; *Time* meaures the duration required to resolve insolvency in calendar years; *Creditor recovery* is measured as the cents on the dollar par value recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement proceedings. A value of zero on the horizontal axis in each graph indicates that the measure has identical values between the US and the non-US country. Definitions and sources of the variables are provided in Appendix A1.

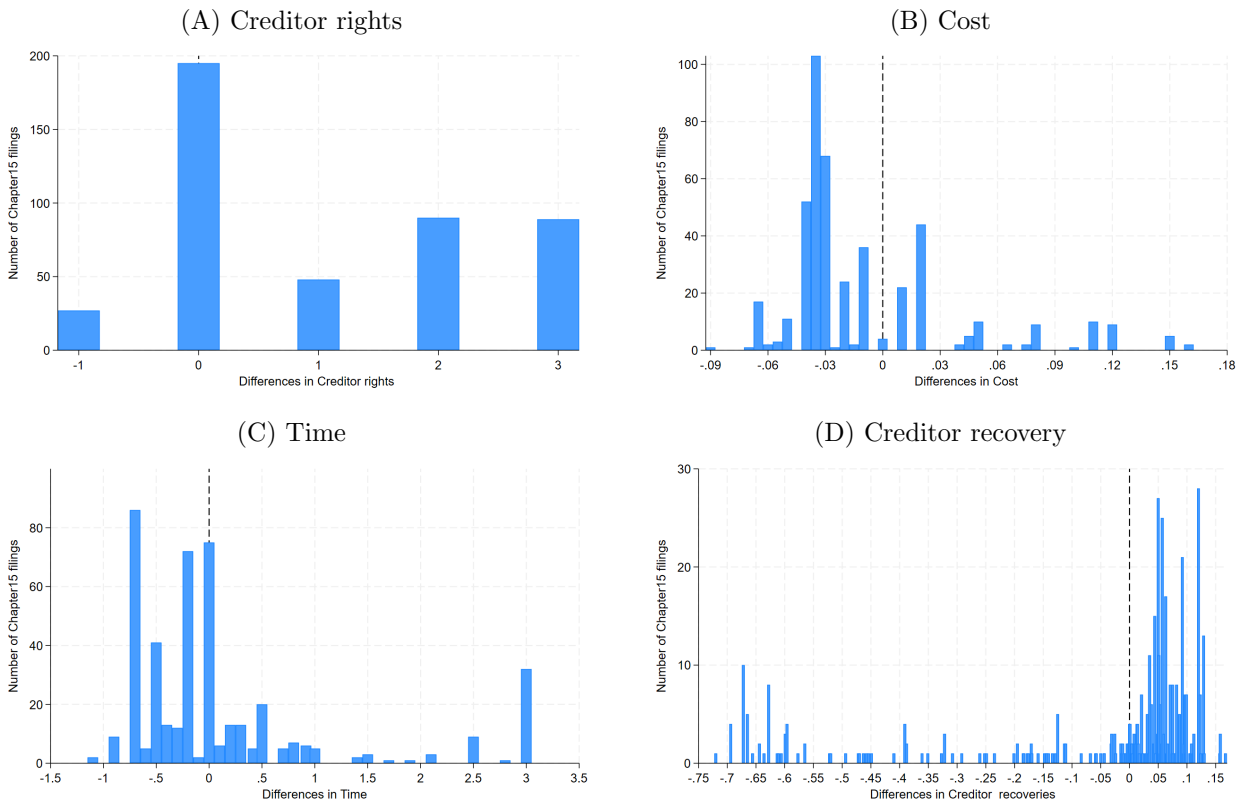


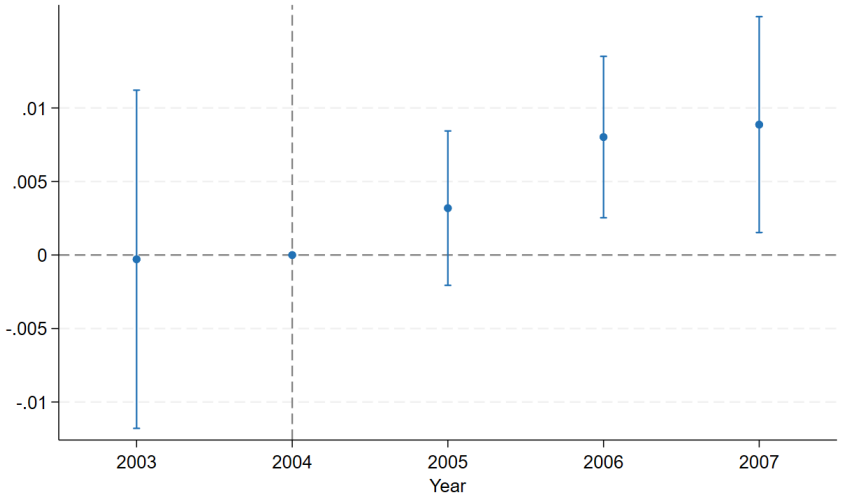
Figure 4. Time Series Dynamics: Chapter 15 and US Acquisitions

This figure plots the estimated coefficients of pre- and post-treatment trends (i.e., coefficients for $\beta_{03}, \beta_{05}, \beta_{06}, \beta_{07}$) using the following the propensity score matching regression specification:

$$\begin{aligned} Y_{i,t} =& \alpha + \beta_{03} Chapter15_{03} \times Treated_c + + \beta_{05} Chapter15_{05} \times Treated_c + \beta_{06} Chapter15_{06} \times Treated_c \\ &+ \beta_{07} Chapter15_{07} \times Treated_c + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_i + \mu_t + \epsilon_{i,t}, \end{aligned} \tag{6}$$

where $Y_{i,t}$ is *I.US* in Panel A and *Ln(#US)* in Panel B. The specification includes firm and industry-year fixed effects and the same set of control variables as in Table 5. Dots represent point estimates, and vertical lines denote 95 percent confidence intervals.

(A) Probability of US acquisitions



(B) Number of US acquisitions

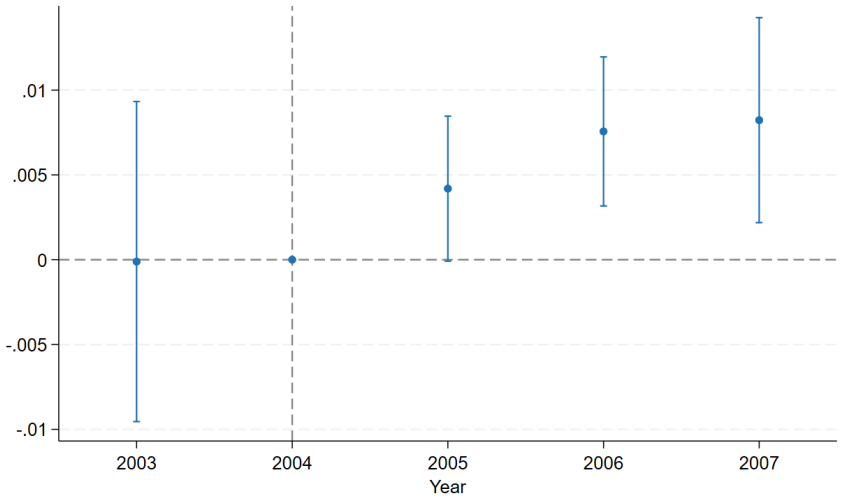


Figure 5. Time Series Dynamics: Staggered Adoption of UNCITRAL Model Law and Cross-border Acquisitions

This figure plots the estimated coefficients of pre- and post-treatment trends (i.e., coefficients for $\beta_{<-3}, \beta_{-3}, \beta_{-2}, \beta_{-1}, \beta_{+1}, \beta_{+2}, \beta_{+3}, \beta_{>+3}$) using the following regression specification:

$$\begin{aligned} \%\textit{Cross-border acq}_{a,j,t} =& \alpha + \beta_{<-3}\textit{PreUNCITRAL}_{j,<-3} + \beta_{-3}\textit{PreUNCITRAL}_{j,-3} + \beta_{-2}\textit{PreUNCITRAL}_{j,-2} \\ &+ \beta_{-1}\textit{PreUNCITRAL}_{j,-1} + \beta_{+1}\textit{PostUNCITRAL}_{j,+1} + \beta_{+2}\textit{PostUNCITRAL}_{j,+2} \\ &+ \beta_{+3}\textit{PostUNCITRAL}_{j,+3} + \beta_{>+3}\textit{PostUNCITRAL}_{j,>+3} + \Delta\textit{Country characteristics}_{a\text{-}j} \\ &+ \lambda_{a\times j} + \gamma_{a\times t} + \epsilon_{c,t}, \end{aligned} \tag{7}$$

where *Cross-border* $acq_{a,j}$ equals the total number of cross-border deals in year t in which the target is from country j and the acquirer is from country a (where $a \neq j$) scaled by the sum of domestic deals in the target country and cross-border deals between the two countries. Dots represent point estimates, and vertical lines denote 95 percent confidence intervals.

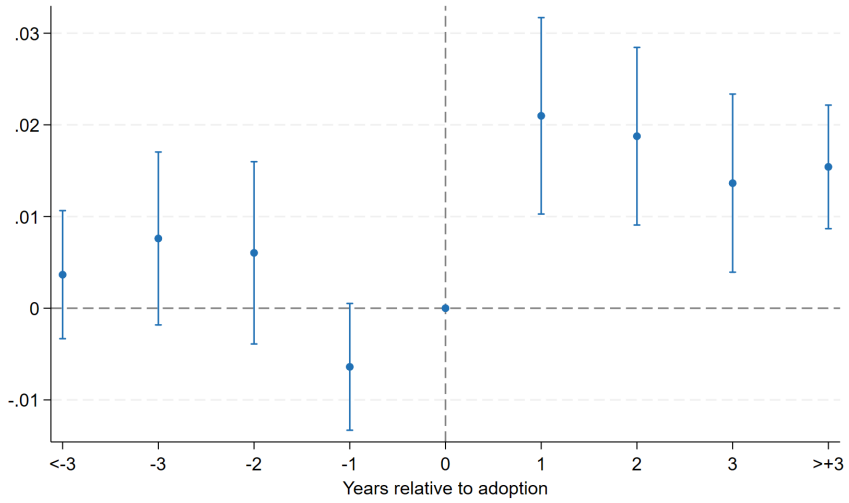


Table 1: Case Process: Chapter 15 vs. Chapter 11

This table presents statistics on several case process measures of both Chapter 15 and Chapter 11 filings by non-US firms (at the primary case level), constructed using court dockets obtained from US Bankruptcy Courts in the Southern District of New York and the District of Delaware. The sample includes 66 of all 130 Chapter 15 filings from 2005–2009 and 17 of all 24 Chapter 11 filings from 2001 to 2009. Countries for which cases are covered by the two bankruptcy courts include Russia, Bahrain, Belgium, Bermuda, Brazil, Canada, Cayman Islands, Denmark, France, Germany, Iceland, Italy, Japan, Mexico, Singapore, South Korea, Spain, and the UK for Chapter 15 filings; Bermuda, Cayman Islands, Chile, Cyprus, Dominican Republic, Mexico, Netherlands, Norway, and the UK for Chapter 11 filings. *Days until first relief granted* and *Days until recognition as an FP* are applicable only to Chapter 15 cases. *Days until plan confirmed/converted* is applicable only to Chapter 11 cases. Definitions and sources of the variables are provided in Appendix Table A1.

	Chapter 15				**Chapter 11**			
Variable	N	Mean	Median	SD	N	Mean	Median	SD
Days until first relief granted	64	30.9	26.0	34.0	–	–	–	–
Days until recognition as an FP	63	48.9	37.0	36.6	–	–	–	–
Days until plan confirmed/converted	–	–	–	–	16	342.3	269.0	282.5
Days until last active docket	66	1412.1	720.5	1554.7	17	1278.1	938.0	1387.7
Days until granting sale of assets	6	26.7	9.0	42.7	8	38.6	25.0	30.0
# Court dockets	66	66.6	36.5	96.2	17	921.8	494.0	1242.0
% Objections	66	0.00	0.00	0.10	17	0.05	0.05	0.03

Table 2: Comparisons between Chapter 11 and Chapter 15 Filers

This table shows comparisons of firm characteristics between non-US debtors that filed for Chapter 15 versus those that filed for Chapter 11 in the US Bankruptcy Courts in Southern District of New York and the District of Delaware from 2005–2020. *Size* is the natural logarithm of book assets (USD). *ROA* is EBIT divided by book assets. *Leverage* is total debt divided by book assets. *Cash* is cash plus short-term investments divided by book assets. *%Foreign sales* is foreign sales divided by total sales. *%US sales* is sales in the US segment divided by total sales. *%US assets* is assets in the US segment divided by book assets. All variables are measured one year prior to filing; if unavailable, two or three years prior. Differences in means are tested using t-tests; differences in medians are tested using Wilcoxon rank-sum tests. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

	Chapter 15			Chapter 11			Difference	
Variable	Obs.	Mean	Median	Obs.	Mean	Median	Mean	Median
Size	142	13.898	13.718	36	13.961	14.002	-0.063	-0.284
ROA	135	-0.110	-0.044	36	-0.109	-0.057	-0.001	0.013
Leverage	142	0.510	0.495	36	0.616	0.547	-0.105	-0.052**
Cash	139	0.099	0.076	36	0.110	0.071	-0.011	0.005
% Foreign sales	103	0.517	0.535	22	0.581	0.719	-0.063	-0.184
% US sales	107	0.161	0.000	22	0.291	0.108	-0.130	-0.108**
% US assets	80	0.094	0.000	14	0.162	0.000	-0.069	0.000

Table 3: Summary Statistics

This table reports summary statistics for the variables used in our main empirical analyses. Panel A is based on 1,024 country-year observations from 65 non-US countries over the period 2005—2020. Panel B is based on 76,921 firm-year observations from 65 non-US countries over the period 2003—2007. Definitions and data sources for all variables are provided in Appendix table A1.

Panel A. Country-year panel

Variable	**Obs**	**Mean**	**P25**	**Med**	**P75**	**SD**
I.Chapter 15	1,024	0.173	0.000	0.000	0.000	0.378
Common law	1,024	0.281	0.000	0.000	1.000	0.450
Same language	1,024	0.188	0.000	0.000	0.000	0.391
Creditor rights	1,024	1.977	1.000	2.000	3.000	1.102
Cost	1,024	0.127	0.070	0.10	0.180	0.080
Time	1,024	2.246	1.300	2.000	3.000	1.302
Going concern	1,024	0.484	0.000	0.000	1.000	0.500
Creditor recovery	1,024	0.528	0.317	0.468	0.797	0.252
GDP growth	1,024	0.031	0.014	0.029	0.050	0.033
GDP per capita	1,024	10.100	9.535	10.180	10.660	0.694
Population	1,024	2.844	1.696	2.618	3.881	1.380
Bilateral trade	1,024	0.017	0.001	0.005	0.017	0.037
Market return	1,024	0.059	-0.083	0.028	0.182	0.239
Currency return	1,024	0.004	-0.038	0.002	0.045	0.073

Panel B. Firm-year panel

Variable	**Obs**	**Mean**	**P25**	**Med**	**P75**	**SD**
I.US	75,647	0.020	0	0	0	0.141
Ln(#US)	75,647	0.018	0	0	0	0.133
I.Non-US CB	75,647	0.050	0	0	0	0.218
Ln(#Non-US CB)	75,647	0.045	0	0	0	0.212
I.Domestic	75,647	0.089	0	0	0	0.285
Ln(#Domestic)	75,647	0.076	0	0	0	0.259
Sales growth	75,647	0.150	-0.025	0.080	0.243	0.330
ROA	75,647	0.017	0.008	0.049	0.096	0.219
Size	75,647	4.888	3.610	4.853	6.105	2.004
Tangibility	75,647	0.312	0.125	0.279	0.457	0.225
Cash	75,647	0.122	0.028	0.075	0.160	0.143
GDP growth	75,647	0.040	0.018	0.032	0.057	0.027
GDP per capita	75,647	10.207	9.809	10.484	10.650	0.666
Population	75,647	3.857	2.990	3.889	4.852	1.477
Bilateral trade	75,647	0.053	0.017	0.025	0.082	0.057
Market return	75,647	0.083	-0.059	0.122	0.209	0.197
Currency return	75,647	0.027	-0.016	0.012	0.062	0.067
Leverage	75,475	0.216	0.044	0.185	0.331	0.197
LT leverage	75,475	0.104	0.000	0.050	0.162	0.134
Bond financing	49,379	0.036	0.000	0.000	0.016	0.086
Trade credit	68,690	0.285	0.099	0.170	0.272	0.583

Table 4: The Likelihood of Using Chapter 15

The table presents logit estimates of the effect of non-US countries' characteristics on the likelihood of their companies using Chapter 15 to resolving insolvency from 2005–2020. The regressions include country-year observations of 65 non-US countries. The dependent variable equals one if at least one Chapter 15 case is filed by firms headquartered in a non-US country in a given year. *Common law* is an indicator variable equal to one if the legal origin of the bankruptcy law is common law. *English language* is an indicator variable equal to one if English is the official language. *Creditor rights* is an index aggregating creditor rights. *Cost* measures the cost of resolving insolvency is recorded as a percentage of the value of the debtor's estate. *Time* measures the time to resolve insolvency captures the time for creditors to recover their credit and is recorded in calendar years. *Going concern* is recorded as one if a firm emerges from the proceedings as a going concern, and zero if the company's assets are sold piecemeal. *Creditor recovery* is recorded as cents on the dollar par value recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement. All specifications include continent and year fixed effects. Standard errors are clustered at the country level, with associated t-statistics reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. = I.Chapter15	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Common law	2.061***							1.643***
	(4.24)							(3.11)
English language		2.037***						
		(4.20)						
Creditor rights			0.608***					0.470**
			(2.71)					(2.49)
Cost				-5.267*				
				(-1.72)				
Time					-0.667**			
					(-2.44)			
Going concern						1.611***		
						(4.23)		
Creditor recovery							3.138***	1.738*
							(3.39)	(1.86)
GDP growth	-8.758*	-10.828**	-9.171	-7.435	-7.256	-5.949	-6.478	-7.472
	(-1.79)	(-2.34)	(-1.63)	(-1.49)	(-1.59)	(-1.16)	(-1.29)	(-1.51)
GDP per capita	2.435***	2.483***	2.692***	2.406***	2.439***	2.464***	2.192***	2.009***
	(5.27)	(5.50)	(4.80)	(4.70)	(4.68)	(4.77)	(4.31)	(4.06)
Population	1.300***	1.353***	1.261***	1.175***	1.231***	1.192***	1.274***	1.402***
	(6.06)	(5.85)	(6.16)	(5.44)	(4.84)	(5.40)	(5.16)	(6.23)
Bilateral trade	-1.441	-3.078	2.042	1.951	-4.381	-0.511	-4.056	-3.627
	(-0.38)	(-0.61)	(0.37)	(0.41)	(-0.79)	(-0.13)	(-0.88)	(-0.88)
Market return	-0.405	-0.302	-0.402	-0.417	-0.420	-0.577	-0.527	-0.530
	(-0.59)	(-0.48)	(-0.64)	(-0.67)	(-0.69)	(-0.91)	(-0.85)	(-0.80)
Currency return	2.150	1.395	1.118	1.287	2.743	1.833	2.150	2.077
	(1.03)	(0.67)	(0.55)	(0.66)	(1.41)	(0.98)	(1.12)	(0.99)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Pseudo R-squared	0.40	0.39	0.38	0.36	0.37	0.39	0.38	0.42

Table 5: Chapter 15 and Cross-border Acquisitions: Baseline Results

This table reports OLS estimates of the effect of Chapter 15 enactment on acquisition activities of non-US firms. The sample includes 75,647 firm year observations from 65 countries from 2003-–2007. The dependent variables capture cross-border acquisitions of US targets in columns (1)–(2), cross-border acquisitions of non-US targets in columns (3)–(4), and domestic acquisitions in columns (5)–(6). The dependent variables in columns (1), (3), and (5) are indicator variables that equal to one if a non-US firm acquires any US, non-US non-domestic, and domestic acquisitions in a given year, respectively. The dependent variables in columns (2), (4), and (6) capture the natural logarithm of the number of US, non-US non-domestic, and domestic acquisitions in a given year, repetitively. *Post Chapter 15* is an indicator variable that equals to one for years after the 2005 enactment of Chapter 15. *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 in 2004, as estimated in column (8) of Table 4. All control variables are lagged one year. All regressions include firm and industry–year fixed effects, where industry is defined by two-digit SIC codes. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. =	(1) I.US	(2) Ln(#US)	(3) I.Non-US CB	(4) Ln(#Non-US CB)	(5) I.Domestic	(6) Ln(#Domestic)
Post Chapter15 × Treated	0.005**	0.005***	-0.001	-0.000	0.002	0.001
	(2.55)	(2.98)	(-0.24)	(-0.16)	(0.48)	(0.26)
Sales growth	-0.000	0.000	0.001	0.002	-0.008**	-0.007**
	(-0.08)	(0.24)	(0.58)	(0.94)	(-2.05)	(-2.01)
ROA	0.005	0.002	0.007	0.004	0.033***	0.028***
	(1.19)	(0.76)	(1.08)	(0.80)	(4.03)	(3.97)
Size	0.000	-0.000	0.007***	0.009***	-0.017***	-0.013***
	(0.27)	(-0.10)	(3.02)	(3.75)	(-5.32)	(-4.40)
Tangibility	0.003	0.001	-0.002	-0.005	-0.026*	-0.023*
	(0.55)	(0.26)	(-0.17)	(-0.52)	(-1.78)	(-1.69)
Cash	0.022***	0.018***	0.030***	0.021**	0.098***	0.089***
	(2.99)	(3.02)	(2.98)	(2.43)	(6.78)	(6.98)
GDP growth	0.071	0.079**	0.206***	0.208***	0.020	0.025
	(1.58)	(2.01)	(2.88)	(3.24)	(0.23)	(0.34)
GDP per capita	-0.075***	-0.076***	-0.111***	-0.129***	-0.078*	-0.061*
	(-3.23)	(-3.62)	(-2.95)	(-3.69)	(-1.81)	(-1.66)
Population	0.056	0.044	-0.055	-0.057	-0.058	-0.044
	(1.32)	(1.13)	(-0.74)	(-0.85)	(-0.63)	(-0.54)
Bilateral trade	0.080	0.118	0.296*	0.383***	-0.117	-0.082
	(0.78)	(1.29)	(1.89)	(2.66)	(-0.55)	(-0.45)
Market return	0.003	0.003*	0.004	0.004	0.018***	0.015***
	(1.57)	(1.89)	(0.78)	(1.06)	(3.09)	(3.18)
Currency return	-0.010	-0.014	-0.086***	-0.094***	-0.029	-0.026
	(-1.01)	(-1.54)	(-5.18)	(-6.17)	(-1.34)	(-1.39)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Ind-Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	75,647	75,647	75,647	75,647	75,647	75,647
Adjusted R-squared	0.31	0.42	0.32	0.42	0.25	0.30

Table 6: Chapter 15 and Cross-border Acquisitions: Robustness Tests

This table reports robustness tests for the results in Table 5. Panel A excludes countries that implemented major local bankruptcy law reforms during the sample period (e.g., Brazil, Spain, Italy, and China). Panel B presents propensity score matching results. For each firm from treated countries, a closest match is found based on all control variables as of 2004, within the same industry (1-digit SIC), and with replacement and a caliper of 0.01. In Panels A and B, *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in column (8) of Table 4. Panel C reports results using an alternative *Treated* indicator, re-estimated from Column (8) of Panel A in Internet Appendix Table A2, which equals one if the predicted number of Chapter 15 filings in 2004 is above the median. Panel D uses an alternative *Treated* variable, which equals one if the actual number of Chapter 15 filings during 2005–2020 is above the median. All control variables are lagged one year. All regressions include firm and industry–year fixed effects. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. =	(1) I.US	(2) Ln(#US)	(3) I.Non-US CB	(4) Ln(#Non-US CB)	(5) I.Domestic	(6) Ln(#Domestic)
Panel A. Excluding countries with bankruptcy reforms						
Post Chapter15 × Treated	0.005**	0.005***	0.002	0.003	0.002	0.001
	(2.26)	(2.80)	(0.50)	(0.82)	(0.52)	(0.26)
Number of Observations	64,067	64,067	64,067	64,067	64,067	64,067
Adjusted R-squared	0.31	0.43	0.31	0.41	0.25	0.31
Panel B. Propensity score matching						
Post Chapter15 × Treated	0.007***	0.006***	-0.008	-0.005	0.002	0.003
	(2.66)	(2.66)	(-1.41)	(-1.12)	(0.41)	(0.66)
Number of Observations	114,790	114,790	114,790	114,790	114,790	114,790
Adjusted R-squared	0.40	0.50	0.41	0.48	0.36	0.40
Panel C. Treated estimated using $\#Chapter15$ as of 2004						
Post Chapter15 × Treated	0.006***	0.006***	-0.005	-0.004	-0.009	-0.007
	(2.94)	(3.43)	(-0.94)	(-0.88)	(-1.59)	(-1.50)
Number of Observations	75,647	75,647	75,647	75,647	75,647	75,647
Adjusted R-squared	0.31	0.42	0.32	0.42	0.25	0.30
Panel D. Treated estimated using actual Chapter 15 over 2005–2020						
Post Chapter15 × Treated	0.005***	0.005***	-0.003	-0.003	0.004	0.002
	(2.69)	(3.28)	(-0.73)	(-1.00)	(1.00)	(0.70)
Number of Observations	75,647	75,647	75,647	75,647	75,647	75,647
Adjusted R-squared	0.31	0.42	0.32	0.42	0.25	0.30

Table 7: Chapter 15 and Cross-border Acquisitions: Heterogeneity Tests

This table reports heterogeneous effects of Chapter 15 enactment on acquisitions of US targets by non-US firms from 2003—2007. The dependent variables in columns (1) and (2) are indicator variables equal to one if a non-US firm announces at least US acquisition in a given year. while the dependent variables in columns (3) and (4) are natural logarithms of the number of US acquisitions by non-US firms in a given year. Panel A splits observations by the median leverage ratio of all firms in each country as of 2004. Panel B splits observations by whether a firm's Altman's Z-score is in the bottom tercile in the country as of 2004. Panel C splits observations by the median tangibility in each country as of 2004. Panel D splits the observations by the median R&D expenses scaled by total assets in each country, measured as of 2004. All control variables are lagged one year. All regressions include firm and industry–year fixed effects. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. =	(1)	(2)	(3)	(4)
	I.US		Ln(#US)	
	High	Low	High	Low
Panel A. Leverage				
Post Chapter15 × Treated	0.010***	0.000	0.009***	0.000
	(3.43)	(0.08)	(3.72)	(0.23)
Number of Observations	38,659	36,587	38,659	36,587
Adjusted R-squared	0.35	0.24	0.48	0.31
Panel B. Altman Z-Score				
Post Chapter15 × Treated	0.007***	0.003	0.007***	0.003
	(2.74)	(1.02)	(2.97)	(1.16)
Number of Observations	20,662	40,954	20,662	40,954
Adjusted R-squared	0.32	0.31	0.45	0.44
Panel C. Tangibility				
Post Chapter15 × Treated	0.007***	0.002	0.007***	0.002
	(3.15)	(0.77)	(3.66)	(0.89)
Number of Observations	38,334	36,904	38,334	36,904
Adjusted R-squared	0.28	0.32	0.37	0.46
Panel D. R&D				
Post Chapter15 × Treated	0.000	0.004**	-0.001	0.004***
	(0.03)	(2.40)	(-0.13)	(2.94)
Number of Observations	19,576	55,651	19,576	55,651
Adjusted R-squared	0.31	0.29	0.40	0.44

Table 8: Chapter 15 and Debt Financing

This table reports OLS estimates of the effect of Chapter 15 enactment on capital structures, cash, capital expenditure, and debt financing of non-US firms located in 65 countries from 2003—2007. Columns (1)–(4) use the following dependent variables: Leverage = total debt/book assets; LT leverage = long-term debt/book assets; Bond financing = total value of bond financing/book assets; Trade credit = accounts payable/cost of goods sold. *Post Chapter 15* is an indicator variable equal to one for years after the 2005 enactment of Chapter 15. *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in column (8) of Table 4. All control variables are lagged one year. All regressions include firm and industry–year fixed effects, where industry is defined by two-digit SIC codes. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Variable definitions and sources are provided in Appendix Table A1.

Dep. Var. =	(1) Leverage	(2) LT leverage	(3) Bond financing	(4) Trade credit
Post Chapter15 × Treated	0.005*	0.006***	0.004**	0.011
	(1.74)	(2.97)	(2.05)	(1.30)
Sales growth	-0.005**	0.000	-0.001	-0.070***
	(-2.49)	(0.17)	(-1.09)	(-6.11)
ROA	-0.089***	-0.032***	-0.021***	-0.067*
	(-12.34)	(-7.49)	(-4.92)	(-1.84)
Size	0.026***	0.017***	0.006***	-0.030***
	(11.59)	(11.40)	(5.16)	(-3.16)
Tangibility	0.060***	0.046***	0.000	0.005
	(6.18)	(6.86)	(0.06)	(0.10)
Cash	-0.079***	-0.016***	-0.004	0.222***
	(-9.51)	(-3.07)	(-0.81)	(4.42)
GDP growth	-0.012	0.066*	0.107***	0.393**
	(-0.25)	(1.84)	(3.43)	(2.30)
GDP per capita	-0.033	-0.037*	-0.053***	-0.178*
	(-1.18)	(-1.83)	(-3.51)	(-1.85)
Population	0.193***	0.057	-0.014	-0.319*
	(3.32)	(1.41)	(-0.50)	(-1.75)
Bilateral trade	0.429***	0.254***	0.424***	0.452
	(3.42)	(2.99)	(5.22)	(1.03)
Market return	-0.009***	0.005**	0.004**	-0.001
	(-3.01)	(2.57)	(2.25)	(-0.09)
Currency return	-0.065***	-0.016*	0.001	0.047
	(-5.79)	(-1.86)	(0.12)	(0.91)
Firm FE	Yes	Yes	Yes	Yes
Ind-Year FE	Yes	Yes	Yes	Yes
Number of Observations	75,475	75,475	49,379	68,690
Adjusted R-squared	0.76	0.70	0.66	0.53

Table 9: Chapter 15 and Bank Loans

This table reports OLS estimates of the effect of Chapter 15 enactment on the size and spread of US dollar-denominated loans, using loans originated between January 1, 2003 and July 1, 2007 (pre-GFC period) to borrowers from 42 non-US countries. The dependent variable in columns (1) and (2) is the natural logarithm of the loan amount (in millions of USD). In columns (3) and (4), the dependent variable is the natural logarithm of the value-weighted all-in-drawn spread of a loan package, where weights are based on loan facility amount. *Post Chapter 15* is an indicator variable equal to one for loans issued after October 17, 2005 (i.e., the enactment date of Chapter 15 in the US). *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in column (8) of Table 4. *USD denominated* is a binary variable equal to one if the loan is denominated in US dollars. Standard errors are clustered at the country level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

	(1)	(2)	(3)	(4)
Dep. Var. =	Loan size		Loan spread	
Post Chapter15 × USD denominated × Treated	0.519***	0.367**	-0.016	-0.068
	(2.95)	(2.65)	(-0.12)	(-0.40)
Post Chapter15 × USD denominated	-0.445***	-0.383***	-0.101	-0.115
	(-2.95)	(-3.40)	(-0.76)	(-0.80)
Post Chapter15 × Treated	0.029	0.124	-0.029	-0.048
	(0.23)	(1.06)	(-0.15)	(-0.19)
USD denominated × Treated	0.029	-0.104	0.059	-0.074
	(0.11)	(-0.44)	(0.54)	(-0.45)
Post Chapter15	0.010	-0.065	0.086	0.195
	(0.09)	(-0.59)	(0.66)	(0.83)
USD denominated	-0.006	0.205	0.000	0.224*
	(-0.02)	(0.91)	(0.00)	(1.94)
Num fac		0.666***		0.280***
		(7.18)		(3.59)
Term loan		-0.234***		0.143**
		(-3.58)		(2.04)
Revolver		0.249***		0.049
		(4.90)		(0.64)
Secured		-0.005		0.512***
		(-0.05)		(6.00)
Rated		0.027		0.076
		(0.62)		(1.07)
Loan maturity		-0.004		0.004
		(-0.07)		(0.06)
Loan size				-0.102***
				(-3.66)
Firm controls	Yes	Yes	Yes	Yes
Industry-Year FE	Yes	Yes	Yes	Yes
Country-Year FE	Yes	Yes	Yes	Yes
Number of Observations	6,177	6,054	1,088	1,066
Adjusted R-squared	0.63	0.67	0.44	0.58

Table 10: Staggered Adoption of the UNCITRAL Model Law and Cross-border Acquisitions

This table examines the effect of the staggered adoption of the UNCITRAL Model Law on cross-border acquisitions using country-pair-year observations from 1997–2020. The countries included in the sample are the 66 countries covered by Djankov et al. (2008). Only country-pairs that have at least one cross-border deal during the sample period are included. 21 of the 66 countries in our sample adopted the UNCITRAL Model Law. Panel A presents summary statistics of the variables included in the empirical analyses. Panel B reports the regression results on the effect of UNCITRAL Model Law adoption on cross-border acquisitions. The dependent variable *Cross-border* $acq_{a,j}$ equals the total number of cross-border deals in year t in which the target is from country j and the acquirer is from country a (where $a \neq j$) scaled by the sum of domestic deals in the target country and cross-border deals between the two countries, as defined in Erel et al. (2012). Column (1) presents results using all country-pair-year observations. Column (2) includes only acquirer-target pairs where the target is located in a developed market, as defined by Djankov et al. (2008). Column (3) includes acquirer-target pairs where the target is located in an Emerging market, as defined by Djankov et al. (2008). Column (4) applies a stacked difference-in-differences (DiD) approach using a 10-year window surrounding the adoption year, with country-pair cohort fixed effects and acquirer-year cohort fixed effects. Column (5) reports estimates from a Poisson Pseudo Maximum Likelihood (PPML) model using the specification from column (1). Panel C reports results on the heterogeneous effects of the UNCITRAL Model Law adoption using cross-sectional differences in country-level creditor rights and enforcement efficiency measures. Standard errors are corrected for the clustering of observations at the country-pair level, and the associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Panel A. Summary statistics

Variable	**Obs**	**Mean**	**P25**	**Med**	**P75**	**SD**
Cross-border $acq_{a,j}$	45,132	0.039	0.000	0.000	0.014	0.120
ΔGDP $growth_{a,j}$	45,132	-0.001	-0.022	-0.001	0.020	0.037
ΔGDP per capita	45,132	0.145	-0.452	0.131	0.765	0.930
$\Delta Population_{a,j}$	45,132	-0.048	-1.497	-0.048	1.355	1.982
Bilateral $trade_{a,j}$	45,132	0.030	0.004	0.011	0.032	0.048
ΔMarket $return_{a,j}$	45,132	-0.002	-0.142	0.000	0.141	0.282
ΔCurrency $return_{a,j}$	45,132	-0.002	-0.046	-0.001	0.042	0.087
ΔCreditor $rights_{a,j}$	45,078	0.109	-1.000	0.000	1.000	1.509
$\Delta Cost_{a,j}$	45,078	-0.009	-0.08	0.000	0.055	0.116
$\Delta Time_{a,j}$	45,078	-0.229	-1.200	-0.100	0.900	2.103
ΔGoing $concern_{a,j}$	45,078	0.063	0.000	0.000	1.000	0.698
ΔCreditor $recovery_{a,j}$	45,078	0.048	-0.203	0.037	0.355	0.377

Panel B. Baseline regression results

Dep. Var. = %Cross-border acq	(1) Baseline	(2) Developed	(3) Emerging	(4) Stacked DiD	(5) PPML
Post UNCITRAL	0.014***	0.009***	0.019***	0.013***	0.341***
	(5.79)	(3.75)	(3.79)	(5.68)	(4.88)
ΔGDP growth$_{a,j}$	-0.006	-0.007	0.025	0.044***	0.062
	(-0.20)	(-0.23)	(0.50)	(2.97)	(0.11)
ΔGDP per capita$_{a,j}$	0.025***	-0.004	-0.017	0.020***	0.764***
	(3.02)	(-0.27)	(-1.07)	(3.91)	(4.09)
ΔPopulation$_{a,j}$	0.003	0.073**	-0.064***	-0.002	0.509
	(0.18)	(2.43)	(-2.70)	(-0.15)	(1.61)
Bilateral trade$_{a,j}$	0.105	-0.017	0.192	0.138**	0.958
	(0.87)	(-0.13)	(1.04)	(2.26)	(1.01)
ΔMarket return$_{a,j}$	-0.003	-0.002	-0.008	-0.006***	-0.042
	(-0.91)	(-0.63)	(-1.63)	(-4.63)	(-0.78)
ΔCurrency return$_{a,j}$	0.009	0.009	0.020	0.016***	0.186
	(0.97)	(1.24)	(1.39)	(3.43)	(0.99)
Difference p-value			0.073		
Country pair FE	Yes	Yes	Yes	No	Yes
Acquirer-Year FE	Yes	Yes	Yes	No	Yes
Country pair × Cohort FE	No	No	No	Yes	No
Acquirer-Year × Cohort FE	No	No	No	Yes	No
Number of Observations	45,132	25,002	20,014	228,879	42,873
Adjusted (Pseudo) R-squared	0.35	0.55	0.28	0.37	0.29

Panel C. Heterogeneous effects by bankruptcy efficiency

Dep. Var. = %Cross-border acq	(1)	(2)	(3)	(4)	(5)
Post UNCITRAL × ΔCreditor rights$_{a,j}$	0.002				
	(1.51)				
Post UNCITRAL × ΔCost$_{a,j}$		-0.019			
		(-1.33)			
Post UNCITRAL × ΔTime$_{a,j}$			-0.002***		
			(-2.65)		
Post UNCITRAL × ΔGoing concern$_{a,j}$				0.005**	
				(2.16)	
Post UNCITRAL × ΔCreditor recovery$_{a,j}$					0.011**
					(2.31)
Controls	Yes	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes	Yes
Acquirer-Year FE	Yes	Yes	Yes	Yes	Yes
Target-Year FE	Yes	Yes	Yes	Yes	Yes
Number of Observations	45,078	45,078	45,078	45,078	45,078
Adjusted R-squared	0.70	0.70	0.70	0.70	0.70

Table 11: Staggered Adoption of the UNCITRAL Model Law and FDI Flows

This table examines the effect of the staggered adoption of the UNCITRAL Model Law on foreign direct investment (FDI) using country-pair-year observations from 2001–2020. The countries included in the sample are the 66 countries covered by Djankov et al. (2008). 21 of the 66 countries in our sample adopted the UNCITRAL Model Law. The dependent variable in columns (1) to (4) is *FDI*, defined as the inward FDI flow (in millions of US dollars) from origin country a to destination country j in year t. The dependent variable in column (5) is *ln(FDI)*, which is equal to the natural logarithm of *FDI*. FDI is sourced from the World Bank. Country pairs with more than five missing annual FDI observations in the sample period are excluded. Column (1) presents results using all 66 country pairs (61 *origin* countries and 66 *destination* countries). Column (2) includes only origin-destination country pairs where the destination country is located in a developed market, as defined by Djankov et al. (2008). Column (3) includes only origin-destination country pairs where the destination country is located in an emerging market, as defined by Djankov et al. (2008). Column (4) applies a stacked difference-in-differences (DiD) approach using a 10-year window surrounding the adoption year, with country-pair cohort fixed effects and acquirer-year cohort fixed effects. Columns (1) to (4) report estimates using the Poisson Pseudo Maximum Likelihood (PPML) estimator. Column (5) reports estimates from an OLS model. Standard errors are corrected for the clustering of observations at the country-pair level, and the associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. =	(1)	(2)	(3)	(4)	(5)
	FDI				ln(FDI)
	Baseline	Developed	Emerging	Stacked DiD	
Post UNCITRAL	0.124*	0.057	0.323**	0.115*	0.116*
	(1.76)	(0.75)	(2.40)	(1.74)	(1.95)
ΔGDP growth$_{a,j}$	-2.885***	-1.450	-3.917***	-3.194***	-2.036***
	(-3.90)	(-1.23)	(-4.64)	(-10.04)	(-4.07)
ΔGDP per capita$_{a,j}$	-0.569***	-0.752**	-0.462**	-0.353***	-0.042
	(-3.24)	(-2.32)	(-2.06)	(-3.59)	(-0.27)
ΔPopulation$_{a,j}$	-1.773***	-2.195***	-0.534	-1.368***	-0.836**
	(-3.78)	(-3.54)	(-0.90)	(-4.67)	(-2.18)
Bilateral trade$_{a,j}$	2.357**	2.446*	0.930	0.189	-0.116
	(2.28)	(1.77)	(0.59)	(0.30)	(-0.10)
ΔMarket return$_{a,j}$	-0.014	-0.029	-0.055	-0.004	0.029
	(-0.21)	(-0.26)	(-0.71)	(-0.14)	(0.61)
ΔCurrency return$_{a,j}$	-0.135	-0.292	-0.131	-0.100	-0.295*
	(-0.64)	(-0.80)	(-0.55)	(-1.06)	(-1.81)
Difference p-value			0.087		
Country pair FE	Yes	Yes	Yes	No	Yes
Origin country-Year FE	Yes	Yes	Yes	No	Yes
Country pair × Cohort FE	No	No	No	Yes	No
Origin country-Year × Cohort FE	No	No	No	Yes	No
Number of Observations	29,660	16,007	13,509	164,234	20,857
Pseudo (Adjusted) R-squared	0.72	0.70	0.78	0.73	0.72

Appendix A.

Table A1: Description of variables

Variable	Definition and source
Court docket variables	**Source: PACER**
Chapter 15 Only	
Days until first relief granted	The number of days taken from filing a motion for the first relief until being granted by the U.S. Bankruptcy Court
Days until recognition as an FP	The number of days taken from the date a Chapter 15 petition is filed until it is recognized as a foreign proceeding by the U.S. Bankruptcy Court
Chapter 11 Only	
Days until plan confirmed/converted	The number of days taken from the date a Chapter 11 petition is filed by a debtor until the date of confirmation of a reorganization plan or conversion to Chapter 7
Both Chapter 15 and Chapter 11	
Days until last active docket	The number of days taken from the date a bankruptcy petition is filed until the date of its last active docket
Days until granting sale of assets	The number of days taken from filing a motion for sale of assets until granting by the U.S. Bankruptcy Court
#Court dockets	The number of court docket entries for a given case filing
#Objections	The number of objections raised by parties involved in the case. We primarily look for court docket entries that contain the words "objection" or "opposition".
Country-level variables	**Source: various sources**
Common law	Indicator variable equal to one if the legal origin of the bankruptcy law is common law (source: Djankov et al. (2008))
English language	Indicator variable equal to one if English is the official language.
Creditor rights	An index aggregating creditor rights. It is computed as of January 2003 (source: La Porta et al. (1998)).
Cost	The cost of resolving insolvency is recorded as a percentage of the value of the debtor's estate, including court fees and government levies, fees of insolvency administrators, auctioneers, assessors, and lawyers, and all other fees and costs (source: World Bank)
Time	The time to resolve insolvency captures the time for creditors to recover their credit and is recorded in calendar years. Potential delay tactics by the parties, such as the filing of dilatory appeals or requests for extension, are considered (source: World Bank)
Going concern	Going concern is recorded as one if a firm emerges from the proceedings as a going concern, and zero if the company's assets are sold piecemeal.(source: World Bank)

Variable	Definition and source
Creditor recovery	The creditor recovery rate is recorded as cents on the dollar par value recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement (foreclosure or receivership) proceedings. (source: World Bank)
GDP per capita	Natural logarithm of real GDP per capita (source: Penn Table)
GDP growth	Annual percentage growth rate of GDP in local currencies (source: Penn Table)
Population	Natural logarithm of population (in millions) (source: Penn Table)
Bilateral trade	The maximum share of a country's imports from the U.S. or its exports to the U.S (source: United Nations Statistics Division)
Market return	Annual growth rate of the stock market index, deflated using the 2010-base CPI (source: S&P Global Equity Indices and Bloomberg)
Currency return	Real US dollar exchange rate return for the firm's local country, deflated using the 2010 constant dollar consumer price index (CPI) (source: Global Macro Database)
Chapter 11 filings	**source: New Generation Research and Global Insolvency**
I.Chapter15	Indicator variable equal to one if there are any Chapter 15 cases filed by firms headquartered in a given country-year
#Chapter15	The number of Chapter 15 cases filed by firms headquartered in a given country-year
Firm-level variables	
Merger&Acquisitions	**Source: SDC Platinum**
I.US acq	Indicator variable equal to one if a non-US firm made at least one acquisition of a US target in a given year.
#US acq	Natural logarithm of the total number of US acquisitions made by a non-US firm in a given year.
I.Non-US CB acq	Indicator variable equal to one if a non-US firm made at least one non-U.S. cross-border acquisition in a given year.
#Non-US CB acq	Natural logarithm of the total number of non-U.S. cross-border acquisitions made by made by a non-U.S. firm in a given year.
I.Domestic acq	Indicator variable equal to one if a non-US firm made at least one acquisition in the domestic markets in a given year.
#Domestic acq	Natural logarithm of the total number of domestic acquisitions made by a non-US firm in a given year.
Other variables	**Source: Compustat Global and Capital IQ**
Leverage	(Long-term debt+Short-term debt)/Book assets
LT leverage	Long-term debt/Book assets
Cash	Cash+Short-term securities/Book assets
Capex	Capital expenditure/Book assets
Bond financing	(Commercial paper + all types of bonds)/Book assets
Trade credit	Account payables/Cost of goods sold
ROA	EBIT/Total assets
Size	Natural logarithm of total assets (book value) converted into US dollars

Variable	Definition and source
Tangibility	Net PP&E/Total assets
Sales growth	(Sales- lagged Sales)/Total assets
Loan-level variables	Source: DealScan and Capital IQ
USD denominated	=1 if a loan is denominated in US dollars
Num fac	Natural logarithm of the number of facilities in a loan package
Term loan	=1 if a loan has term loan, zero otherwise
Revolver	=1 if a loan is a revolver, zero otherwise
Secured	=1 if a loan is secured, zero otherwise
Rated	=1 if a firm has a credit rating, zero otherwise
Loan maturity	Natural logarithm of the loan maturity (in months)
Loan spread	Natural logarithm of the value-weighted all-in-drawn spread of a loan package, where weights are based on loan facility amount
Loan size	Natural logarithm of the loan amount (in millions of USD)
UNCITRAL Model Law Analysis	Source: various sources
Post UNCITRAL	=1 for the years after the UNCITRAL Model Law enactment in a given country-year (source: UNCITRAL websites)
%Cross-border $\text{acq}_{a,j}$	The total number of cross-border deals in year t in which the target is from country j and the acquirer is from country a (where $a \neq j$) scaled by the sum of domestic deals in the target country and cross-border deals between the two countries, as defined in Erel et al. (2012). An acquisition is a cross-border acquisition if the target's nation differs from the acquirer's ultimate parents (source: SDC)
$\text{FDI}_{a,j}$	Inward FDI flow (in millions of US dollars) from origin country a to destination country j in year t, deflated using the 2010 constant dollar consumer price index (CPI) (source: World Bank)
Developed (Emerging)	A firm's country is classified as developed if it belongs to the High-income group, and as emerging otherwise (source: Djankov et al. (2008))
$\Delta\text{Creditor rights}_{a,j}$	The difference in the creditor rights index between acquirer country a and target country j in year t
$\Delta\text{Cost}_{a,j}$	The difference in the costs to resolve the the insolvency between acquirer country a and target country j in year t
$\Delta\text{Time}_{a,j}$	The difference in the time taken to resolve insolvency between acquirer country a and target country j in year t
$\Delta\text{Going concern}_{a,j}$	The difference in the *Going concern* indicator between acquirer country a and target country j in year t
$\Delta\text{Creditor recovery}_{a,j}$	The difference in the recovery rate by secured creditors through bankruptcy proceedings between acquirer country a and target country j in year t
$\Delta\text{GDP per capita}_{a,j}$	The difference in the natural logarithm of real GDP per capita between acquirer country a and target country j in year t

Variable	**Definition and source**
ΔGDP growth$_{a,j}$	The difference in the real GDP growth between acquirer country a and target country j in year t
ΔPopulation$_{a,j}$	The difference in the natural logarithm of population (in millions) between acquirer country a and target country j in year t
Bilateral trade$_{a,j}$	The maximum of bilateral import and export between a country pair. Bilateral import (export) is calculated as the value of imports (exports) by the target country from (to) the acquirer country as a percentage of total imports (exports) by the target country. (source: United Nations Statistics Division)
ΔMarket return$_{a,j}$	The difference in the annual growth rate of the stock market index between acquirer country a and target country j in year t
ΔCurrency return$_{a,j}$	The difference in the real US dollar exchange rate return between acquirer country a and target country j in year t

Table A2: Number of Chapter 15 Filings

The table presents estimates of the effect of non-US countries' insolvency characteristics on the number of Chapter 15 filings. The dependent variable equals the number of Chapter 15 case filed by firms headquartered in a given country-year. The regressions are estimated on a country-year panel of 65 non-US countries from Djankov et al. (2008) by Poisson pseudo–maximum likelihood (PPML). The main explanatory variables of interests include *Common Law*, *English language*, *Creditor rights*, *Cost*, *Time*, *Going concern*, and *Creditor recovery*. All explanatory variables are lagged one year. All specifications include continent and year fixed effects. Standard errors are clustered at the country level, with associated t-statistics reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. = #Chapter15	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Common law	1.916***							1.417***
	(10.88)							(7.16)
English language		1.952***						
		(12.05)						
Creditor rights			0.701***					0.335***
			(3.52)					(2.68)
Cost				-9.312***				
				(-2.80)				
Time					-0.451			
					(-1.23)			
Going concern						1.423***		
						(4.66)		
Recovery							2.435**	0.264
							(1.98)	(0.42)
GDP growth	-2.628	-5.785*	-5.615	-0.780	-0.823	0.604	0.276	-3.208
	(-0.77)	(-1.93)	(-1.40)	(-0.21)	(-0.20)	(0.15)	(0.06)	(-0.87)
GDP per capita	1.930***	2.270***	2.695***	2.162***	2.699***	2.737***	2.546***	1.887***
	(6.01)	(7.09)	(6.52)	(5.76)	(5.40)	(5.20)	(4.48)	(6.36)
Population	1.121***	1.253***	1.127***	1.133***	1.189***	1.081***	1.218***	1.067***
	(8.28)	(10.42)	(6.88)	(6.05)	(4.91)	(5.65)	(5.04)	(8.43)
Bilateral trade	-3.425	-5.224**	2.637	1.741	-3.209	-0.045	-4.254	-1.707
	(-1.37)	(-2.21)	(0.90)	(0.79)	(-0.73)	(-0.02)	(-1.04)	(-0.68)
Market return	-0.090	0.022	-0.327	-0.464	-0.332	-0.361	-0.413	-0.147
	(-0.20)	(0.06)	(-0.75)	(-0.95)	(-0.75)	(-0.80)	(-0.86)	(-0.34)
Currency return	0.693	0.671	0.274	-0.086	0.590	0.158	0.339	0.719
	(0.59)	(0.55)	(0.23)	(-0.08)	(0.64)	(0.16)	(0.34)	(0.62)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Pseudo R-squared	0.59	0.59	0.56	0.54	0.53	0.54	0.53	0.60

Table A3: Chapter 15 and Cross-border Acquisitions: Dollar Volume

This table reports estimates of the effect of Chapter 15 enactment on the dollar volume of US acquisitions by non-US firms across 65 countries during 2003–2007. Column (1) presents OLS estimates using the specification in Table 5. Column (2) excludes countries that implemented major local bankruptcy law reforms during the sample period (e.g., Brazil, Spain, Italy, and China). Column (3) presents propensity score matching results. For each firm from treated countries, a closest match is found based on *ROA*, *Size*, *Sales growth*, *Tangibility*, and *Population* as of 2004, within the same industry (1-digit SIC), with replacement and a caliper of 0.01. In Columns (1)–(3), *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in Column (8) of Table 4. Column (4) reports results using an alternative *Treated* indicator, re-estimated from Column (8) of Panel A in Appendix Table A2, which equals one if the predicted number of Chapter 15 filings in 2004 is above the median. Column (5) uses a *Treated* variable that equals one if the actual number of Chapter 15 filings during 2005–2020 is above the median. All control variables are lagged one year. All regressions include firm and industry–year fixed effects. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. = Ln($US)	(1)	(2)	(3)	(4)	(5)
Specification =	Baseline	Excluding reforms	PSM	#Chapter15	Actual Chapter 15
Post Chapter15 × Treated	0.020**	0.022**	0.021**	0.024***	0.017**
	(2.49)	(2.50)	(2.52)	(2.81)	(2.55)
Mean of Dep. Var.			0.054		
Controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Ind-Year FE	Yes	Yes	Yes	Yes	Yes
Number of Observations	75,647	64,067	114,790	75,647	75,647
Adjusted R-squared	0.22	0.22	0.3305	0.22	0.22

Table A4: Placebo tests: Chapter 15 and the acquisition by US firms

This table presents OLS estimates of the effect of the enactment of Chapter 15 on the acquisition activities of US firms from 2003–2007, using a firm-year panel. Columns (1) report indicator variables equal to one if a firm makes any US acquisitions in a given year. Columns (2) report the natural logarithm of the total number of US acquisitions in a given year. Column (3) reports the natural logarithm of the total transaction value (in USD dollars of US acquisitions. *Post Chapter15* is a binary variable equal to one for years after the enactment of Chapter 15 in 2005 and zero otherwise. All control variables are lagged by one year. Firm fixed effects are included in all specifications. Standard errors are clustered at the firm level, and the associated t-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dep. Var. =	(1) I.US	(2) Ln(#US)	(3) Ln($US)
Post Chapter15	0.012	-0.002	-0.001
	(0.82)	(-0.16)	(-0.01)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Number of Observations	21,483	21,483	21,483
Adjusted R-squared	0.28	0.38	0.23

Table A5: UNCITRAL Model Law Adoption and World Bank Coverage

This table presents a comprehensive list of countries that adopted the UNCITRAL Model Law on Cross-Border Insolvency between 2000 and 2020. The *Year* column indicates the year of adoption. *Covered by Djankov* column shows whether the country is covered by Djankov et al. (2008). *Covered by World Bank* column indicates whether the country is covered by the World Bank's Doing Business Insolvency database. *Covered in our sample* column shows whether the country is included in our empirical sample for the staggered adoption analysis of the UNCITRAL Model Law.

Country	**Year**	**Covered by Djankov et al.**	**Covered by the World Bank**	**Covered by our study**
Japan	2000	✓	✓	✓
Mexico	2000	✓	✓	✓
South Africa	2000	✓	✓	✓
Montenegro	2002		✓	
Romania	2002	✓		
British Virgin Islands	2003			
Poland	2003	✓	✓	✓
Serbia	2004		✓	
Canada	2005	✓	✓	✓
United States of America	2005	✓	✓	✓
Colombia	2006	✓	✓	✓
New Zealand	2006	✓	✓	✓
Republic of Korea	2006	✓	✓	✓
Great Britain, UK	2006	✓	✓	✓
Slovenia	2007	✓	✓	✓
Australia	2008	✓	✓	✓
Mauritius	2009		✓	
Greece	2010	✓	✓	✓
Philippines	2010	✓	✓	✓
Uganda	2011		✓	
Chile	2013	✓	✓	✓
Seychelles	2013		✓	
Vanuatu	2013		✓	
Gibraltar, UK	2014			
Benin	2015		✓	
Burkina Faso	2015		✓	
Cameroon	2015		✓	
Central African Republic	2015		✓	
Chad	2015		✓	
Comoros	2015			

Country	Year	Covered by Djankov et al.	Covered by the World Bank	Covered by our study
Congo	2015			
Côte d'Ivoire	2015		✓	
Democratic Republic of the Congo	2015			
Dominican Republic	2015		✓	
Equatorial Guinea	2015			
Gabon	2015		✓	
Guinea	2015		✓	
Guinea-Bissau	2015			
Kenya	2015		✓	
Malawi	2015		✓	
Mali	2015		✓	
Niger	2015		✓	
Senegal	2015		✓	
Togo	2015		✓	
Abu Dhabi Global Market, UAE	2015	✓	✓	✓
Albania	2016		✓	
Jamaica	2016		✓	
Panama	2016		✓	
Singapore	2017	✓	✓	✓
Bahrain	2018			
Israel	2018	✓	✓	✓
Jordan	2018		✓	
Marshall Islands	2018		✓	
Morocco	2018		✓	
Zimbabwe	2018		✓	
Brazil	2020	✓	✓	✓
Ghana	2020		✓	
Myanmar	2020		✓	